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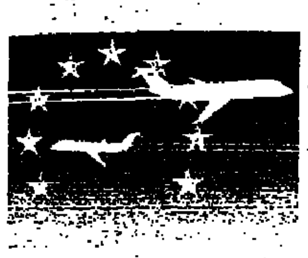
FINANCIAL TIMES



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Open in law but not in reality

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Foolish fixation on fiscal failure

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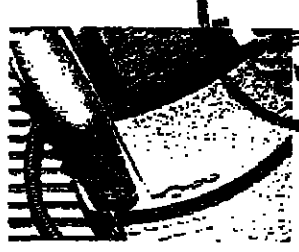

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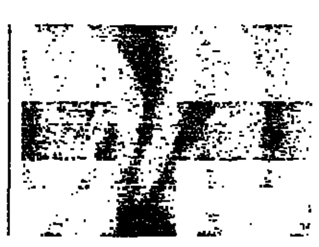

Finland

On track for renewed growth

Survey, Separate section

World Business Newspaper http://www.FT.com TUESDAY MARCH 11 1997

Siemens switches to outright sale of electronics arm

German electrical and electronics group Siemens abandoned plans to place its defence electronics business in a joint venture in favour of a trade sale. The company, which two weeks ago told staff it was seeking a partner for the business, has hired US investment bank Morgan Stanley to draw up a shortlist of outright bidders and hopes to complete the disposal before its September financial year-end. Page 15

Swedish SE merger backed: Plans for a merger between the Stockholm Stock Exchange and OM, the Swedish derivatives exchange operator, were boosted by a government-sponsored report which backed the move. Page 15

Manila stock exchange chief quits: The president of the Philippine Stock Exchange resigned amid controversy over the suspension of a number of insider dealing investigations and reports of clashes with senior managers. Page 14

James Bond defeated by Hanoi officials

The makers of *Tomorrow Never Dies*, the 18th James Bond film, are to switch filming from Vietnam to Thailand after Hanoi government officials cancelled production weeks before the cameras were due to start rolling, saying the British spy, played by Pierce Brosnan (left), was too anti-Communist. Page 14; Observer, Page 13

Oil markets plan to co-operate: The world's two largest oil futures markets, London's International Petroleum Exchange and the New York Mercantile Exchange, are expected to announce a co-operation pact. Page 15

Rifkind warns on Nato: Europe will relapse into a volatile mixture of local and regional alliances if Nato fails to enlarge, UK foreign secretary Malcolm Rifkind told a Washington think-tank. Page 2

Wassall to distribute £150m: Wassall is to float 70 per cent of its General Cable Corporation subsidiary in the US and distribute £150m ($245m) of the proceeds to shareholders. Page 15; Lex, Page 14

US knew of China election claims: The US Justice Department told two officials at the National Security Council last June that the Chinese government was allegedly trying to influence congressional elections, but told the officials not to tell the administration, the White House said. Page 6

US office suppliers' merger blocked: The US Federal Trade Commission moved to block the planned $4bn merger between Staples and Office Depot, two fast-growing operators of office supply "superstores". Page 15

Seoul weakens labour law: The South Korean parliament approved a more lenient version of a controversial labour law which sparked three weeks of industrial unrest in January that cost $3.4bn in lost production. Page 4

Thailand to take on companies' debt: The Thai government is preparing to take on as much as Bt100bn ($3.9bn) of bad debt from finance companies which have over-extended themselves to the country's troubled property sector. Page 4

Cellnet chief quits: Howard Ford, 45, managing director of Cellnet for 30 months, unexpectedly left the mobile telephone operator. He is believed to be taking a position with a rival. Page 23

Emu drive hits machinery sales: Sales of construction machinery in western Europe will fall again in 1997 as governments continue efforts to tighten economic policy to meet targets for economic and monetary union, a London consultancy says. Page 3

Paralysed author dies: French journalist Jean-Dominique Bauby, paralysed and made mute by a stroke 15 months ago, died in Paris less than a week after publication of a 150-page book he dictated letter by letter by winking his left eye.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,022.06	(+21.16)
NASDAQ Composite	1,319.27	(+7.47)
Europe and Far East		
CAC40	2,789.21	(+0.93)
DAX	3,436.07	(+59.87)
FTSE 100	4,437.4	(+17.1)
Nikkei	18,113.89	(-84.85)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.183%
Long Bond	97 11/32
Yield	6.814%

■ OTHER RATES

UK: 3-mo interbank	6 3/16%	(6 1/32%)
UK: 10 yr Gilt	101¾	(101 13/32)
France: 10 yr OAT	107.55	(107.22)
Germany: 10 yr Bund	102.45	(102.15)
Japan: 10 yr JGB	104.7281	(104.600)

■ NORTH SEA OIL (Argus)

Brent Dated	$19.08	(19.74)

■ GOLD

New York: Comex		
(Mar)	$352.7	(349.5)
London:		
close	$348.95	(349.05)

■ DOLLAR

New York: lunchtime		
£	1.603	
DM	1.70345	
FFr	5.742	
SFr	1.47275	
Y	121.745	
London:		
£	1.6019	(1.6047)
DM	1.7032	(1.7189)
FFr	5.7445	(5.793)
SFr	1.4723	(1.485)
Y	121.68	(121.945)
Tokyo close:	Y 121.70	

■ STERLING

DM	2.7283	(2.7583)

9 770174 736126

EU to resist French bid to quit daylight saving

By Emma Tucker in Brussels

The French government's campaign to stop changing the country's clocks between summer and winter is expected to be greeted with a resounding "Non" in Brussels today.

The French, led in person in this sensitive issue by Mr Alain Juppé, the prime minister, argue that putting the clocks forward an hour in March and back again in October disrupts farmers and the biological rhythms of children and old people. Transport ministers of the other 14 European Union member states are unconvinced. They fear a unilateral move by France, with its pivotal geographic position, would cause massive disruption to transport scheduling across the EU.

"The transport sector would be seriously affected if one member state decided to operate its own time zone," said an EU official. Southern EU countries such as Greece, Italy, Spain and Portugal argue that longer evenings boost their important tourist trades, allowing museums and other services to stay open later.

France, like most of Europe, sets its clocks to one hour ahead of Greenwich mean time in winter and two hours ahead in summer. "I wish the other member states could show us why the switch to summer time is necessary," said a French spokeswoman.

The European Commission – which believes the benefits of summer time's extra hour of evening daylight outweigh the disruptions – has proposed a four year extension of a directive which harmonises the dates on which member states alter their clocks. The directive is due to expire next year.

Fourteen of the 15 EU countries back the extension, although Britain, ever conscious of member states' desire to maintain control over their internal affairs, has expressed "sympathy" for the French position. France has carried out its own studies and decided against summer time, which was introduced in 1976 to save energy after the oil price rise.

Failure to reach agreement at today's meeting would leave transport companies, already planning next years' timetables, in disarray.

Unanimous agreement is not necessary to extend the directive, but the Dutch, current holders of the EU presidency, are reluctant to force an unpopular decision on the French public and will try to broker some concessions, such as extending the directive for three rather than four years.

During this time the French government, spurred on by Mr Juppé, would almost certainly carry out more studies in order to determine whether the shift was still necessary.

"Mr Juppé certainly seems to have made this his *cheval de bataille*," commented one EU diplomat. "It may be related to his two year old daughter – you know how light sensitive children are."

Albanian rebels now hold third of country

By Guy Dinmore in Tirana and Robert Graham in Rome

Government forces lost control yesterday of most of southern Albania, as rebels extended their grip over about one third of the country.

Rebel leaders rejected an offer of amnesty made by President Sali Berisha on Sunday when he bowed to opposition demands for a broad-based coalition government and fresh parliamentary elections.

But they told Italian officials they would encourage citizens to lay down their arms if the international community provided emergency aid.

The president's capitulation after weeks of intransigence has only fuelled the insurrection, with rebels demanding that he resign. Diplomats said Mr Berisha had apparently lost control of the army and might have to resign to contain the conflict. But some foreign investors appeared to discount the threat of civil war. Middle East interests bought majority stakes in a cement company and an oil products company yesterday, even as government forces retreated and mass insurrection spread towards the capital Tirana.

The fragmented opposition parties - dominated by the former communists - admit they have no control over the revolt, which was triggered last month by the collapse of fraudulent pyramid investment schemes.

Rebels accuse Mr Berisha of using the schemes to fund his party's election campaigns last year. He is also accused of encouraging people to put their savings into unlicensed funds.

Meanwhile, eight leaders of the insurrection in the southern seaside town of Vlore met Italian officials led by Mr Paolo Foresti, Italy's ambassador in Tirana, on the warship San Giorgio in the Adriatic.

The identity of the rebels - picked up from Albanian territory by Italian helicopters - was not disclosed. The talks followed the prominent role played by Mr Lamberto Dini, Italian foreign minister, in arranging Sunday's deal between President Berisha and the opposition.

In the most serious clashes yesterday, nine civilians were killed by retreating government troops in the southeast town of Permet. Towns-

Continued on Page 14

An Israeli policeman holds back a Jewish protester outside the Palestinian headquarters at Orient House in East Jerusalem yesterday during a demonstration against peace moves. Netanyahu and Arafat try to beat off revolts, Page 5 Picture: AP

Newmont wins battle for Santa Fe

By Kenneth Gooding, Mining Correspondent

North America's mining bid battle ended yesterday with victory for Newmont Mining after it lifted its offer for Santa Fe Pacific Gold for the second time – to $2.5bn – and won the support of the Santa Fe board.

Homestake Mining, its rival, withdrew saying: "We are unwilling to penalise our shareholders by overpaying for Santa Fe."

Santa Fe reached a $2.3bn merger agreement with Homestake in December and has already paid Homestake $65m for breaking that up.

Analysts expect Homestake to bid for another gold company; Newcrest, the Australian group, is rumoured to be among possible targets.

Mr Ron Cambre, Newmont chairman, said the enlarged group would have a gold output of 4m troy ounces by 1998, with 55m ounces of reserves in the ground.

Analysts pointed out that Newmont would leapfrog Barrick Gold to become the biggest North American gold producer. They suggested a quest for increases in reserves was driving the takeover fever in the North American gold industry.

"All in all, the right combination is probably taking place," said Mr Nick Hatch of Flemings Global Mining

Continued on Page 14
Gold markets, Page 28

Heinz plans job cuts as it focuses on growth markets

By Richard Tomkins in New York

Directors of HJ Heinz, the US food group, will meet tomorrow to approve management plans for a reorganisation involving heavy job cuts, the sale of some businesses, and a substantial charge to earnings.

Details are not due to be announced until Friday, but the company said yesterday the restructuring was part of "a major growth plan", the biggest in its recent history.

"It's designed to increase our growth in the faster-growing markets of the world," the company said. These included India, China, the rest of Asia, eastern and central Europe, South Africa and South America.

Heinz is the last in a long line of US food companies that have tried to boost profit growth by cutting costs. Others include Campbell Soup, Nabisco, Kellogg and CPC International.

Heinz set the stage for the reorganisation at its annual meeting last September when Mr Anthony O'Reilly, the chairman and chief executive, announced that the company was conducting a review of all its assets with a view to restructuring its portfolio.

Mr O'Reilly said the key to the company's growth was to focus on six core categories: food service, infant foods, ketchup and condiments, pet food, tuna, and weight control. This was taken as implying that non-core businesses would be sold.

According to a report in yesterday's Wall Street Journal, the divestments will include poultry and ice-cream operations in New Zealand, a fats and oil business in South Korea, and a chain of cardio-fitness centres.

The same report said Heinz would cut its workforce of 43,000 by 6 per cent and take a pre-tax charge of more than $500m in its fiscal fourth quarter ending next month. Yesterday the shares were up $¼ at $44¼ in early trading.

Heinz's long-standing goal has been to deliver double-digit growth in earnings per share, but recently it has been relying on acquisitions to achieve that.

By restructuring the company, Heinz hopes to cut costs – for example, by consolidating production at a smaller number of plants – and use the extra cash generated to finance expansion.

The company said yesterday that 43 per cent of its sales were already outside the US.

"You will see a higher percentage will be overseas as a result of this plan, simply because we will be growing faster and faster in growth markets," it said.

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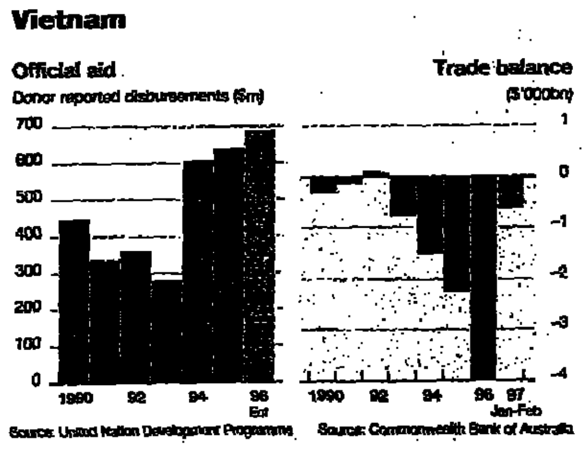

Hanoi forex reserves face pressure

By Jeremy Grant in Hanoi

Vietnam's central bank faces pressure to dip into modest foreign exchange reserves over the next six months to head off a liquidity crunch as short-term trade debt of several hundred million dollars owed by importers falls due.

Western economists said Vietnam's reserves currently totalled only $1.3bn, equivalent to about eight weeks of imports.

But the central bank risks sparking a liquidity crisis if it does not provide foreign exchange to meet the trade debt. The concern is compounded by Vietnam's trade deficit which is running well ahead of last year's $4bn level.

Although foreign bankers stop short of talking in terms of crisis, some official newspapers – usually a barometer of government thinking – hint this might be in the offing.

The Saigon Newsreader, based in the southern commercial capital of Ho Chi Minh City, urged immediate reform of the legal system "to save a chain reaction in the collapse of the whole banking system".

"The situation's becoming more complicated for the State Bank," said Mr Carlos Jahnsen, project co-ordinator for a German technical assistance programme. "They're trying to manage with all this weakness on the reserve side."

The State Bank, Vietnam's central bank, engineered a depreciation of the dong 10 days ago by widening the currency's trading band against the dollar.

However it cannot afford to let the dong slip far without posing difficulties for banks and state-owned enterprises as they struggle to buy dollars needed to meet the debts.

"Any big devaluation would kill the banks," said one economist.

Official media reports say about $670m of deferred letters of credit will come due in Ho Chi Minh City alone in 1997, about $228m of that falling in the first quarter.

Bankers were alerted to the trade debt problem last week when it emerged that VP Bank, one of Vietnam's largest private banks, had problems paying a series of letters of credits.

Vietnamese officials have been reluctant to disclose figures to multilateral institutions, including the International Monetary Fund. "We detect a bad loan problem but we don't know the size," said one foreign adviser to the Vietnamese government.

State-owned enterprises were "building castles on sand", hiding the true state of their accounts in an attempt to secure multiple loans from different banks, said the Saigon Newsreader.

Vietnam is thought to be considering banning certain imports to help trim the trade gap.

However, that runs the risk of offending trading partners, which are looking to Hanoi to make good on tariff reduction commitments under the Asean Free Trade Area.

The challenge will be to encourage manufacturing, which is rudimentary and faces stiff competition from Chinese goods.

Bankers suggest one way of easing the liquidity strain would be to tap the international capital markets prior to implementing far-reaching structural reforms. Vietnam is not short of funding offers, although the finance ministry has ruled out launching the country's planned first eurobond issue this year.

Malaysia Inc proves a mixed blessing

James Kynge on how a singular government-business partnership hand-picks entrepreneurial leaders

When the new chairman of one of Malaysia's biggest industrial corporations took his post last week, he declined to say how many of the company's shares he owned. This might seem unusual in the west, where directors' shareholdings are public knowledge. But in Malaysia such matters are often shrouded with a certain mystique.

The reticence of Mr Saleh Sulong, who succeeded the late Mr Yahaya Ahmad as chairman of Hicom, the conglomerate which controls Malaysia's car industry, was understandable. An inscrutable web of corporate shareholdings, in which top businessmen are sometimes believed to hold shares as proxies for government figures, is central to the way Malaysia runs its economy.

The system is informally known as Malaysia Inc, a symbiotic relationship between business and government which at its best serves the interests of both.

Carefully constructed over several years, Malaysia Inc is held together by a variety of forces. The most tangible are the shareholdings of government concerns and individuals in corporations, especially the "golden shares" which allow the cabinet a considerable say in the workings of many privatised companies.

Less obvious but probably more compelling are the ties of patronage between an inner circle of powerful entrepreneurs and figures in the government. Many of these businessmen were hand-picked by the government and allowed to buy a controlling stake in formerly state-run enterprises, sometimes at a discount.

Members of Malaysia Inc: Tajudin Ramli of Malaysia Airlines, Rashid Hussain of Khazanah, the government investment arm, and a leading private banker, and Ting Pek Khiing, mastermind of the Bakun hydro-electric dam *Pictures by Reuter and AP*

The favoured businessmen include Malays, Indians and Chinese, the dominant commercial class in the country, and their number comprises characters such as Mr Rashid Hussain, boss of Khazanah, the government investment arm and a leading private banker, and Mr Tajudin Ramli, chairman of Malaysia Airlines.

Membership of Malaysia Inc is in the favour of Dr Mahathir Mohamad, the prime minister, and Mr Daim Zainuddin, his economic adviser. Loyalty to the prime minister and Mr Daim – and others such as Mr Anwar Ibrahim, deputy prime minister and finance minister – are reinforced by the knowledge they hold the power to award contracts.

This is a big incentive in a country which sees growth of an average of at least 7 per cent a year until 2020. It is still unclear, for example, which companies will be awarded the main contracts to build a new administrative capital, Putrajaya, from next year. The new capital is expected to cost about M$20bn (US$8bn).

"The government has a treasure trove of contracts it has not yet awarded. In this situation it is extremely unwise to do anything which the government does not like," said the managing director of a large Malaysian corporation.

"What you should do is find projects that they (the government) like and then propose them," said the entrepreneur. "Then you have to complete them ahead of schedule and make them serve a social purpose. That is the way you win favour."

Examples are manifold. KL Linear City, the company which is to build the world's longest building (2 km long) over a river running through central Kuala Lumpur, landed permission to buy a considerable amount of government land for the project partly through impressing Dr Mahathir. Mr David Chew, the company's managing director, said the prime minister warmed to the modern concept behind the building and the fact that the company pledged to clean up the river and resettle the squatters along its banks.

Mr Ting Pek Khiing, the tycoon who is managing a project to build the M$13.6bn (US$5.5bn) Bakun hydro-electric dam on Borneo island, first caught Dr Mahathir's eye when he built a luxury hotel in just 53 days. This distinction undoubtedly helped him win the dam project.

Increasingly, however, it is in overseas investment that the impact of Malaysia Inc is being felt. Dr Mahathir and his cabinet have identified several promising countries, including South Africa, Vietnam and Cambodia. To a lesser extent, investment is also encouraged in Burma, Zimbabwe and some South American countries.

The fact that Malaysia makes a point of maintaining good relations with these countries has, in some cases, helped entrepreneurs win key contracts. The most recent example was the award by the Zimbabwe government of a 51 per cent stake in its Hwange power plant to YTL Corp, a private Malaysian power company. Several foreign companies were also interested in the plant and foreign diplomats in Harare have complained that the award of the tender bypassed the established tendering procedure.

Mr Francis Yeoh, managing director of YTL Corp, is a stalwart of Malaysia Inc. The regard in which the government holds him was clear from the revelation late last year that Khazanah had been willing to put up M$2.5bn to help the company acquire CEPA, a Hong Kong-based power company.

In spite of its many advantages, Malaysia Inc does have its shortcomings. Some companies are beginning to find the costs of fulfilling social obligations, the *quid pro quo* of government favours, weigh heavily as global competition becomes ever stiffer.

Malaysia Airlines provides one example. As with many rivals, its profit margins have fallen. But still it is expected to operate marginal routes which were initiated more for reasons of diplomatic convenience than cold commercialism. Buenos Aires and Beirut are two relatively unprofitable routes, and officials have promised that Zagreb, the Croatian capital, may soon be added.

The airline is also obliged to show a social conscience by not sacking staff at home and by keeping domestic air fares at loss-making levels, company executives said.

"I think domestic fares are way too low. I think the government will be more amenable in the future. I think it has been a bit unfair," said Mr Bashir Ahmad, the airline's senior vice-president.

South Korean MPs approve watered-down labour law

By John Burton in Seoul

The South Korean parliament yesterday approved a more lenient version of a controversial labour law which sparked three weeks of industrial unrest in January.

The new law gives more concessions to trade unions than the earlier version, which was withdrawn by the government in response to strikes that cost $3.4bn in lost production.

The new legislation delays by two years the granting of new powers to employers to sack surplus workers, which ends Korea's tradition of life-long employment. But companies will only be allowed to cut jobs in "economic emergencies".

Immediate official recognition will be given to new national trade union groups, which breaks the monopoly of the Korean Federation of Trade Unions.

The government has sought to reform Korea's rigid labour market by making it easier to sack workers, replace strikers and extend working hours. Officials said the measures were needed to improve industrial competitiveness as economic growth slowed down.

But an attempt to force the law through parliament in late December resulted in a loss of support for the administration of President Kim Young-sam.

In addition, some of the law's provisions were criticised by international trade union groups and the Organisation for Economic Co-operation and Development.

Under the new law, union monopolies at the company level will not be abolished until 2002, while the current practice of employers paying the salaries of full-time union organisers will be banned by 2001.

In addition, companies will be able to use non-union employees to replace striking workers and they are not compelled to pay salaries of workers who are on strike. Employers will also be allowed to introduce flexible working hours to cut overtime pay.

The new law was criticised by the nation's largest dissident trade union group, the Korean Confederation of Trade Unions. The confederation vowed to stage a new general strike in May in protest and said it was displeased that teachers and other government workers would not be allowed to organise union membership.

Passage of the new labour law had been blocked by the opposition until the government agreed to revise another law that gave new domestic powers to the intelligence service.

Unions had suspected that the government might try to use the intelligence law to crack down on dissident labour organisers on the pretext that they supported North Korea's communist government.

ASIA-PACIFIC NEWS DIGEST

HK school books 'must be revised'

School books that do not conform with Chinese policies should be revised after Hong Kong returns to China in July, Mr Qian Qichen, foreign minister, said yesterday. The Hong Kong government criticised his comments, insisting that educational polices are to be set by the territory's administration and called for clarification of Mr Qian's comments. "In a free society teachers are not told what facts they can teach and what facts it is politically wrong to teach," said Mr Chris Patten, Hong Kong's governor.

Mr Qian said that "the contents of some textbooks currently used in Hong Kong do not accord with history or reality, are not suited to the changes after 1997, contradict the spirit of 'one country, two systems' and the Basic Law and must be revised".

Mr Rodney Chui, head of the Hong Kong Educational Publication Association, said that certain changes were already being made in textbooks to reflect the transfer of sovereignty. *John Ridding, Hong Kong*

Electricity plan rejected

The Hong Kong government has ruled out the possibility of electricity sales between the territory's two suppliers as a means of absorbing surplus capacity at China Light and Power, the biggest utility. Hongkong Electric, which supplies electricity on Hong Kong Island, had already rejected the proposal to buy surplus electricity from its competitor, which serves the densely populated Kowloon peninsula and remote New Territories.

Largely because of the move of manufacturers across the border into China, demand for electricity has not kept pace recently with CLP's forecasts and the company now has excess capacity of 50 per cent. In spite of this, it is keen to press ahead with development of its Black Point power station because, it says, deferral would prove expensive. *Louise Lucas, Hong Kong*

New Caledonia mine dispute

New Caledonia's independence party yesterday complained the French government's moves to expropriate the Koniambo nickel mine with a view to awarding it to the independence movement were too long and uncertain. The FLNKS pro-independence movement has called on its party activists to "mobilise".

The nickel mine, owned by the French state's Eramet mining company, is at the centre of a dispute in the French Pacific territory.

FLNKS has made immediate acquisition of the Koniambo mine, which it wants to develop jointly with Falconbridge of Canada, a precondition for talks on the territory's political future. Eramet has refused a speedy exchange of Koniambo for a FLNKS-controlled mine and Paris has retaliated by threatening to withdraw Eramet's mining concession at Koniambo. *David Buchan, Paris*

Goh wins Singapore libel case

Singapore's High Court yesterday found a leading opposition politician guilty of libelling Mr Goh Chok Tong, the prime minister, and other ruling party members during December's election campaign. The court said Mr Tang Liang Hong, who fled abroad shortly after the polls, had presented no defence, and therefore it found in favour of the People's Action party (PAP) litigants.

The court said a date would be set for a hearing to determine damages and costs. The High Court had earlier ordered Mr Tang to declare assets worth S$11.2m (US$7.9m) to cover damages if he was found guilty. *Reuter, Singapore*

Taiwan jet hijacked to China

A Taiwan journalist doused himself with petrol yesterday and forced a Taiwan airliner to fly to China, authorities said. Far East Air Transport flight 128, a Boeing 757, had just taken off from southern Kaohsiung with 150 passengers and six or seven crew when the hijacking took place, authorities said.

The aircraft, flying to the Taiwan capital, Taipei, landed safely at China's south-eastern coastal port of Xiamen less than two hours later. *Reuter, Taipei*

■ Nepal's King Birendra yesterday named Mr Lokendra Bahadur Chand as prime minister. Palace officials said Mr Chand, leader of the centrist Rashtriya Prajatantra party (RPP) was expected to be sworn in today. Mr Chand has the support of Nepal's former ruling communists, the Unified Marxist-Leninist (UML) party. *Reuter, Kathmandu*

Japan to accelerate plans for digital broadcasts

By Michiyo Nakamoto in Tokyo

Japan is to bring forward plans to start digital terrestrial broadcasting in an attempt to catch up with the US and Europe.

The move reflects growing concern in Japan that it is being left behind in the race towards digital broadcasts, which allow more efficient and sophisticated use of wavelength and multimedia broadcasts. The EU and US have already selected technical standards for digital broadcasting and digital terrestrial broadcasts will start as early as next year in the US and UK.

Japan hopes to chose a standard by next summer and begin experimental broadcasts in the autumn. The ministry says Japan is likely to adopt the EU standard, which is better suited to Japan's densely populated territory and limited radio frequencies.

The Ministry of Posts and Telecommunications said yesterday it planned to bring forward the start of digital terrestrial broadcasts to before 2000, instead of before 2005 as previously planned. This follows a recent decision to use the second of two broadcast satellites for digital, rather than analogue, satellite broadcasts. That decision was taken despite resistance from proponents of Hi-Vision, Japan's high-definition standard. This was developed by NHK, the public broadcaster, at high cost but uses an analogue transmission system.

The Hi-Vision standard has been largely responsible for the delay in switching to digital broadcasting. It has been trumpeted by NHK and the Japanese electronics industry as the highest quality technology for clear TV broadcasting, even as other countries have moved towards digital broadcasting.

The ministry, which supported development of the Hi-Vision standard, signalled its intention in 1993 to switch its support to digital broadcasting. However, it has been forced to moderate its enthusiasm because of opposition from NHK and the electronics industry.

As a result, the ministry had accepted a more gradual shift to digital broadcasting and agreed to continue Hi-Vision broadcasts in parallel with digital broadcasts. The ambiguity, however, has created uncertainty among consumers, who are unsure whether Hi-Vision broadcasts will continue indefinitely or disappear with the advent of digital broadcasting.

IMF chief welcomes move to impose discipline

Thailand set to take on companies' bad debts

By Ted Bardacke in Bangkok

The Thai government is preparing to take on as much as Bt100bn ($3.9bn) of bad debt from finance companies which have over-extended themselves to the country's troubled property sector.

Under a proposal to be considered by cabinet today, finance companies with substantial exposure to property developers will set up a new company, Property Loan Management, which will issue seven-year zero-coupon bonds guaranteed by Thailand's finance ministry.

The proceeds, equal to about 25 per cent of bad debt owed by property developers, will be used to buy non-performing loans from finance companies at a discount.

The move follows a week of turmoil which saw Thai officials belatedly recognising the growing problems of liquidity shortages and asset quality in the financial sector after the near-collapse of Finance One, the country's biggest finance company.

If approved, the plan will give finance companies a short-term injection of liquidity and help them clean up their balance sheets. But because it involves substantial write-offs, new provisioning requirements issued by the central bank last week will remain burdensome.

With its delayed interest payout, Property Loan Management will offer property developers a five-year grace period in which to generate enough cash to pay off their loans. If they do not, the government will have to meet the new company's obligations to bondholders.

Mr Michel Camdessus, International Monetary Fund chief, welcomed Thailand's recent steps to impose more discipline on financial institutions while helping them out of their current liquidity problems.

"They are doing exactly what you must do to avoid recurrence of a Mexico-like crisis," he told a conference in Hong Kong. "I don't see any reason for this crisis to develop further."

The Thai stock market rose 1.72 per cent on the news to close at 703.32. But analysts said the scheme would do little to solve the huge over-supply problems hitting the Thai property market, and predicted more bad debt problems were looming.

"Most property companies don't have enough cash flow to cover their interest expenses unless they take on new debt and start new projects, Mr Wapan Wongpanit, property analyst at ING Barings, said.

Moody's, the US credit rating agency, cited continued property market woes yesterday when it announced it was placing the rating of three more Thai commercial banks under review for possible downgrade. The three banks are Bank of Ayudhya, Siam City Bank and Thai Military Bank.

Unrest is challenging member states to turn talk about common security policy into results

Albania crisis poses new test for EU

By Lionel Barber in Brussels

The violent unrest in Albania and the threat of instability spreading in the Balkan region are rapidly turning into a test of the European Union's capacity to respond to crises in its own backyard.

Six years ago, during the break-up of Yugoslavia, the EU was widely judged to have flunked the foreign policy test. Official claims that the "hour of Europe" was dawning in the Balkans proved unrealistic.

Today, in an uncanny parallel to events in 1991-92, a regional crisis has erupted during an intergovernmental conference on the future of the EU, challenging member states to turn talk about a common foreign and security policy into results.

Albania is a special case because it is the biggest per capita recipient of EU aid in eastern Europe. Over the past five years, the EU has poured Ecu450m ($509m) into the country which, for a brief period in the 1990s, seemed to be evolving steadily into a post-communist economy.

Van Mierlo: testing time

EU pressure on President Sali Berisha to abandon the state of emergency and form a broad-based coalition embracing the opposition ahead of new elections made headway last weekend, after a stream of visitors including Mr Hans van Mierlo, foreign minister of the Netherlands, which now holds the rotating EU presidency, and Mr Lamberto Dini, Italian foreign minister.

A week ago, the picture was more confused. When President Berisha ordered his armed crackdown against the opposition, Mr van Mierlo was preparing to leave for Moscow to attend a long-delayed EU-Russia summit with a recuperating President Boris Yeltsin.

In the initial absence of EU-co-ordinated crisis management, the Italian government seized the initiative, followed by the Organisation for Security and Co-operation in Europe (OSCE), the Greek government, and a Council of Europe delegation. Until last Friday, when Mr van Mierlo had two sessions with President Berisha, the Dutch presidency was playing catch-up.

In fairness, Italy, along with Greece, can claim it would bear the brunt of a refugee exodus in the event of a total breakdown of law and order in Albania.

Memories are fresh of 1991 when thousands of impoverished Albanians fled the crumbling Stalinist dictatorship and turned up on Italy's eastern coastline.

Germany has also signalled its concern that instability could spread from Albania to neighbouring Kosovo, giving the Serbian minority an excuse to take reprisals against Kosovans. Germany, which took the bulk of refugees from the Bosnian civil war, has also admitted Kosovans.

Italy's arguments that it makes no sense to pick sides inside Albania is widely shared inside the EU. The opposition to President Berisha lacks coherence beyond the popular fury over the collapse of the financial pyramid schemes.

After Mr Dini's efforts to broker the accord between President Berisha and opposition party leaders on Sunday, Italy has stepped up the diplomatic effort and yesterday held talks with rebel leaders on one of its warships in the Adriatic.

Some countries, notably the Scandinavians, would like the EU to speak out more clearly on human rights; others question why it took so long for the Europeans to follow the US lead in issuing a clear call for fresh elections, particularly after President Berisha's victory in last year's poll was widely criticised.

The official EU policy stance is that there should be no EU-backed bail-out for Albanians who have lost their life savings in the pyramid schemes. *Caveat emptor* sounds a strange slogan for the common foreign and security policy, but the European Commission says Brussels offered the Albanian government technical advice last year on how to introduce legislation banning the schemes.

President Berisha turned down the offer at the time, but he now appears more receptive to technical assistance from outsiders.

Much will depend in the coming weeks on whether the EU can contain the crisis without tilting so far in the direction of President Berisha that the chances for economic and political reform evaporate.

More broadly, the Albanian lesson is that the EU should not just be focusing its energies on expanding membership to countries such as the Czech republic, Poland and Hungary in the relatively stable region of central Europe. It also needs to pay more attention to the unstable arc of countries outside the enlargement catchment area, such as former Yugoslavia, Turkey, Belarus and Ukraine.

Foreigners bid for state companies

By Guy Dinmore in Tirana

Foreign investors bought majority stakes in two Albanian state-owned companies by auction yesterday, expressing long-term confidence in the country's future in spite of the threat of civil war.

Seament, a Lebanese group, offered 600m lek ($4.3m) for a 70 per cent stake in Elbasan Cement in central Albania, outbidding Alba Cement, a joint venture partner of Titan Cement, a large Greek producer listed on the Athens bourse. Bidding in a cobwebbed hall in the finance ministry in Tirana started at 495m lek.

A Jordanian company, Kajolli, represented by Mr Ali Tarawneh, bought a 51 per cent stake in Petrolimpex, an oil products trader, for 255m lek.

"I'm very satisfied with today, given the situation in Albania," said Mr Niko Glozheni, director of the National Agency for Privatisation. Of 11 companies offered at auctions in Tirana last week only two attracted no bidders. Most of the buyers were Albanian companies.

"The crisis has had a little influence but mainly on foreigners. The Albanians were very interested last week and bids rose in an incredible way," Mr Glozheni added.

The government of President Sali Berisha has lost control over about a quarter of the country since a popular insurrection erupted in the south last month in response to the collapse of fraudulent pyramid investment schemes. Many Albanians have lost all their savings.

Mr Mark Gouri, a Lebanese representative of Seament, was pleased with his purchase and said the cement plant at Elbasan needed several million dollars in investment. "We think this country will need cement even with political problems," he commented.

Mr John Haden, chairman of the privately owned British Incat group, said Albania had huge potential for investors prepared to take some risk. He plans to bid for a quarry linked to the Elbasan cement plant to be auctioned today.

"You don't just look at what will happen over the next week or month but over five years. Obviously there is going to be some upheaval during this process," he said, referring to Albania's transition from 47 years of Stalinist rule to a market economy.

The 70 per cent sale of Elbasan Cement was one of the biggest privatisation sales so far in Albania, a western diplomat said, criticising the government for its reluctance to sell off more important state banks and utilities. Other state assets had been sold off privately in "sweetheart deals" to cronies of the government, the diplomat said.

German miners protest in Bonn

By Peter Norman in Bonn and Frederick Stüdemann in Berlin

Angry German miners yesterday blockaded the headquarters of government parties in Bonn in a fourth day of protests over plans to cut subsidies to the coal industry.

Demonstrators blocked motorways in the Saar coalfield and occupied town halls in the Ruhr mining communities of Lünen and Bergkamen. Miners' anger yesterday was directed mainly against the small Free Democrat party, the market-oriented junior partner in Chancellor Helmut Kohl's coalition. Linked by heavy chains, miners formed a barrier around the FDP's Bonn headquarters and hurled eggs against the building, forcing the FDP leadership to hold a meeting in a nearby parliamentary tower block.

There was no sign, however, that the protests against government plans to cut federal subsidies from DM9bn ($5bn) to DM3.8bn ($2bn) a year by 2005 and overall state support from DM10bn to DM5.5bn would influence talks today between Mr Hans Berger, leader of the miners' union, and Mr Kohl. Mr Friedrich Bohl, head of the chancellery, said there was "no room" for expectations of a new or different offer.

Meanwhile, in Berlin, Mr Oskar Lafontaine, leader of the opposition Social Democrats, said his party would return to negotiations with the government over tax reforms when the coalition produced "sensible proposals."

Mr Lafontaine said there was a direct link between subsidies to the coal industry and the tax negotiations. He said proposed cuts in subsidies meant the state of North-Rhine Westphalia would have to find an extra DM700m to support the local mining industry. At the same time tax reform proposals would cut state revenues by DM5bn.

Separately, about 6,000 building workers demonstrated in Berlin yesterday in protest at rising unemployment and record numbers of bankruptcies in the construction industry.

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Italians look to a new prince in Pirelli's Tronchetti Provera

Tyre group's chief could be about to step into Agnelli's shoes

Italy has always liked a prince. And during the post-war decades no one filled the role better than Giovanni Agnelli, the Fiat car patriarch.

Mr Agnelli will be 76 this month and is no longer the absolute monarch at Fiat, although as honorary chairman he still exerts enormous influence as a constitutional monarch of sorts over the country's biggest private company.

That has not stopped Italians searching for a new figure to step into the shoes of the "old lion of Turin" as a prince of the nation's industry. For a while Carlo de Benedetti tried, but since his world of Olivetti went up in smoke, he has been lying low.

Silvio Berlusconi created a media empire, entered politics, became prime minister for a short while, and continues to claim he could transform the country, given half a chance, but he has never looked convincing in the role.

Perhaps they have finally found someone. Unlike Agnelli, popularly known as "l'avvocato", or de Benedetti "l'ingeniere", or Berlusconi "il cavaliere", he is simply called by his surname: Tronchetti Provera. Tall, good-looking, sun-tanned, very cool, aged 49, Marco Tronchetti Provera has been for the past year chairman and principal shareholder of Pirelli.

Although he does not have the economic weight of an Agnelli or a Berlusconi – Pirelli is a medium-sized enterprise in the global sense – he can claim the moral high ground.

His company is one of the country's few household industrial names untarnished by the Tangentopoli bribery scandals that have shaken the Italian establishment during the past six years. It is also one of Italy's recent success stories, thanks largely to Tronchetti Provera.

Tronchetti Provera: his group is one of the few household industrial names untarnished by bribery scandals

He pulled Pirelli out of near-bankruptcy in 1991 after its bid to take over the German tyremaker Continental went badly wrong. He has restructured and streamlined the company, brought it back to profit which, he says, will continue to show improvement in the 1996 accounts, and can now stand tall to show the country the way ahead.

Tronchetti Provera rarely misses a chance to preach from his industrial pulpit. He is on television and in newspapers everywhere, quoted, commenting, reacting to political and economic events in Italy.

Unlike the old Pirelli family members, who shunned the limelight, he believes it is important to speak out.

"I feel it is a duty," he said in his soft-spoken manner, puffing at a cigarette without a trace of pomposity.

"I speak out because our country still operates according to old-fashioned rules and we must change these rules."

"As a multinational company – and we are atypical in Italy because we produce and sell less than 20 per cent of our output in our home market – we have the advantage of seeing more clearly our country's weaknesses in an increasingly global community."

He rattled them off at the top of his head: inefficient and archaic institutions which create a confused political environment which in turn slows down the necessary process of change.

"Our politicians are not happy with the pace of change," he declared. "They fear the loss of their privileges but in the meantime Italy is losing competitiveness."

The seed of all Italy's problems was the state, he said. "For years the state played a bigger role in our economic and financial system than in any other western country. It had 51 per cent of our industry.

"It still controls more than 60 per cent of our financial system. In the past 15 years, it has absorbed more than 50 per cent of Italian savings to finance the public debt."

This system was now redundant. But, said Tronchetti Provera, the old cultures are making it difficult to reduce the public debt, and privatise and liberalise the economy ahead of the challenges of international competition.

"The country's current efforts are short term because of the single currency deadline," he added, referring to the Italian government's battle to meet the European Monetary Union targets.

But even Emu is only a means, or as he put it, "a passage", to an end. "Not only Italy but Europe as a whole is living above its means.

"If we don't achieve a political unity it will be increasingly difficult to compete against the other big international blocks."

Paul Betts

Rifkind in riposte to Nato critics

By Bruce Clark, Diplomatic Correspondent

Central Europe will relapse into a volatile mixture of local and regional alliances if Nato fails to enlarge, Mr Malcolm Rifkind, UK foreign secretary, said in Washington yesterday.

In a speech to the Carnegie Endowment For International Peace, a respected think-tank, Mr Rifkind delivered a strident riposte to critics of Nato expansion, who include many veterans of foreign policy-making in Washington and London.

Painting a graphic picture of the possible effects of backsliding by Nato, he said "there could be new tremors along ethnic and nationalist faultlines" if each central European state had to make its own arrangements for defence.

"A dismal prospect indeed, and one that could easily draw us in western Europe and America into new tension and conflict," said Mr Rifkind, who in contrast to some other members of the British establishment, has always supported Nato's plan to take in several new members by spring 1999.

While insisting that enlargement would go ahead with or without Moscow's assent, he insisted that the alliance's proposal for a partnership between Nato and Russia was a "God-sent opportunity" for that country. Such a partnership, he added, would give Russia "security to the west" for the first time in 200 years, providing Moscow's rulers with badly-needed stability at a time of painful reforms and potential challenges to the south and east.

With Nato's plans to embrace new members emerging as one of the main themes of the second Clinton administration, Mr Rifkind used his Washington visit to stress the dangers of not enlarging, and to counter arguments against expansion.

One of the greatest fears among supporters of enlargement is that Nato leaders will launch the process this summer and then run into opposition from the US senate, or some other legislature in the 16-member alliance.

So far, most US legislators have backed enlargement, but some have reservations on grounds of expense, or because they think too many concessions will have to be made to Russia in order to assuage its opposition to the process.

Poland's military chief sacked

By Christopher Bobinski in Warsaw

The outspoken chief of staff of Poland's armed forces, General Tadeusz Wilecki, was sacked yesterday in a move which will improve the country's image with Nato. The western alliance expects civilian politicians to retain a firm hold over military policies in countries pressing for membership.

President Aleksander Kwasniewski played down the political significance of Gen Wilecki's replacement by Gen Henryk Szumski, one of his deputies. He said the move was part of the reform of the armed forces in advance of Poland's expected invitation to start talks on Nato membership, to be announced at the alliance summit in Madrid in July.

Gen Wilecki's main sin has been to show open contempt of the civilian branch of the defence ministry, which has been fighting to establish control over the military machine.

The general had argued that Poland was not doing enough to prepare for Nato membership. He had fought stubbornly for an increase in the defence budget to 3 per cent of gross domestic product but only managed to wrest 2.4 per cent for this year's military outlays.

Yesterday Gen Wilecki once again showed his independence by refusing to accept a post as Mr Kwasniewski's military affairs adviser. He also failed to attend the handing-over ceremony for his successor. In a radio interview earlier in the day, he argued that a change at the top of the army on the eve of the start of talks with Nato was a mistake.

Earlier, Gen Wilecki had been backed by Mr Waldemar Pawlak, the head of the Polish Peasant party (PSL), the junior ruling coalition partner.

Mr Pawlak is currently seeking to put some distance between the PSL and the former communist Left Democratic Alliance (SLD), before parliamentary elections next autumn.

Opposition parties on the right have begun to criticise the government for not doing enough to prepare the armed forces for Nato membership.

Gen Wilecki, now out of office, looks set to swell the ranks of these critics in the election campaign.

EUROPEAN NEWS DIGEST

Çiller moves on human rights

Mrs Tansu Çiller, Turkey's deputy prime minister, *pictured left*, said yesterday the government was starting a campaign against human rights violations. She said: "It is shameful that whenever people talk about torture, they think about Turkey. This is not acceptable. [We will] end torture." She said that regional governors and police chiefs would be held directly responsible for torture committed by subordinates. The government is planning new legislation to lift restrictions on freedom of expression, abolish the death penalty, narrow the scope of state security courts and grant more rights to suspects. She said suspects held in custody by security courts would win greater access to their lawyers and periods of detention without charge would be reduced. Human rights organisations say violations are widespread in Turkey. Strict security laws forbid discussion of Kurdish nationalism. Police habitually torture criminal suspects. Security forces fighting a 13-year Kurdish insurgency in south-east Turkey are frequently accused of violations.

Turkey's human rights record is causing the government increasing difficulties in its relations with the European Union and the US, which have blocked economic and military aid. The EU cites human rights violations as one reason for rejecting Turkey's membership application. *John Barham, Ankara*

Galloway cow 'born in UK'

The Galloway cow that caused a large-scale BSE scare in Germany in January was imported from Britain and not born in Germany as originally feared, the Bonn government announced yesterday. Reporting on the results of genetic tests, Mr Franz-Josef Feiter, the state secretary in the agriculture ministry, said the animal, which originally was known as Cindy and thought to be born in Mecklenburg-Vorpommern, was really called Scottish Queen and imported from the UK.

He said the government was "95 per cent sure" that the cow, which came from a BSE-free herd in Britain, contracted the disease from contaminated feed when in the hands of a trader. Its identity was later changed illegally in Germany.

Mr Feiter said the research showed that Germany continued to be BSE-free and that in this case there was no "vertical transmission" of BSE from mother to calf. *Peter Norman, Bonn*

Dutch raise interest rates

The Dutch central bank yesterday raised interest rates to stem a weakening in the guilder against the D-Mark to which it is pegged. The secured loans rate, its equivalent of the German discount rate, was lifted a half percentage point to 2.5 per cent, bringing it into line with the level set by the Bundesbank. The special advances, or repo, rate went up 20 basis points to 2.7 per cent.

At 2 per cent, the secured loans rate had been at a record low since last April, and yesterday's move was the first rise since December 1991, when rates peaked at 9.25 per cent. The central bank had to move both rates because intervening only through an adjustment of money market rates would have left the differential between the two unsustainably wide.

The rise in the special advances rate was the second in 10 days – an earlier 0.2 point rise failed to stem a the guilder's downward drift to Fl 1.127 against the D-Mark by Friday's London close. The currency firmed yesterday to Fl 1.126. "The central bank had only one way to go," said Ms Caroline van de Kerkhof of ABN Amro Bank.

The Dutch economy had been outperforming that of Germany, where downward pressure on rates remained absent, she added. *Gordon Cramb, Amsterdam*

Italian car registrations soar

Italy's car market, boosted by a government incentive scheme, is back in second place in Europe by size after Germany, a ranking Italy held during the boom years from 1989 to 1992, Italian carmakers' association Anfia said.

Official data yesterday showed Italian new car registration rose 21.45 per cent to 198,000 in February. Anfia said it forecast total 1997 sales of around two million vehicles.

The rise follows a yearly rise of 4.4 per cent in January. Late last year the Italian government approved incentives for car owners scrapping cars older than 10 years, giving a boost to a stagnating domestic market.

However the full effects of the scheme introduced in January would only be really seen in March, Anfia said. The positive prospects were also confirmed by the average increase in daily sales which rose 27.5 per cent to 9,900 in February.

The scheme also seemed to have given a boost to demand in southern Italy which was showing a strong recovery after being hit hard by the car sector crisis which began in 1993. In February the market share of Fiat and its subsidiaries rose to 44.8 per cent, from 43.9 per cent. *Reuter and AP, Turin*

ECONOMIC WATCH

Fears on Norway's inflation

Consumer prices rose 3.3 per cent in Norway in the year to February, above expectations and well above the government's target for the full 1997 year. Prices rose 0.3 per cent in February over January, about twice the rate expected by the financial markets. The Labour government's main fear in recent months has been that the economy, fuelled by strong revenues from North Sea oil and gas, could overheat, triggering a surge in inflation. The economy grew by more than 5 per cent in 1996 and growth is expected to be vigorous, though less strong, this year with labour shortages in some sectors. The government has forecast inflation of 2.5 per cent this year, up from 1.25 per cent in 1996. But inflationary pressures are expected to cool later in the year. One encouraging sign came yesterday with figures showing producer prices fell 0.4 per cent in February over January, leaving the rise over the past year at 1.7 per cent. *Hugh Carnegy, Stockholm*

■ Dutch producer prices in January rose 0.5 per cent from December and 2.9 per cent from a year earlier, the Central Bureau for Statistics said.

■ Czech consumer prices rose 0.3 per cent in February, the Czech Statistical Bureau said. Prices were 7.3 per cent higher than in the same month last year.

Emu 'D-Day scenario' provokes shudders

Consensus among large companies is that delay would be disastrous

Preparing for Emu

Large European companies and banks are prepared for almost all eventualities: dual currency handling, switching over the computers, handling the rounding problem and payroll systems administration.

What hardly anybody is prepared for is for economic and monetary union to be delayed or not to take place at all, the "D-Day scenario" in the words of one German Euro task force chief.

The assumption among continental banks and companies that Emu will go ahead on time contrasts sharply with growing scepticism in financial markets. Recent doubts about Germany's ability to meet the Maastricht criteria and about whether the German government could politically survive the sacrifice of the D-Mark have fuelled expectations, especially in the London markets, that Emu may be delayed.

> 'Talk about a delay is politically driven,' argues one observer

One angry German observer, closely involved with the preparation in his company, suspects a conspiracy. "All this talk about a delay is politically driven," he says. "Is it a coincidence that a delay is also the favourite scenario of the British government? Nobody talks about it here," he said.

The head of the Euro task force of another large industrial group believes a delay would mean the death of the whole project.

"If this subject comes up in earnest, then there is the acute danger Emu disappears. We passed the point of no return a long time ago," he said.

The company – one of Europe's largest industrial groups – has made significant investments in preparation. If Emu was postponed this [investment] would turn out to be a write-off," he said. This also appears to be the consensus among other large companies.

Smaller German companies appear more hostile to the euro and are less well prepared, according to opinion polls, so many would probably welcome a delay, or be indifferent.

The fear among German industrialists, especially exporters, is that a collapse or delay in Emu would undo recent falls in the D-Mark against other major currencies, especially the dollar and sterling.

"We will get the status quo ante. The D-Mark will become Europe's main reserve currency, and will resume to be chronically overvalued," said one industrialist.

Mr Reinhard Kudiss, senior economist at BDI, the German industry federation, said: "A postponement [of Emu] would sound the death-knell of the whole project."

Delay would start a vicious economic cycle in all the European Union countries which would make convergence even more difficult – and hence would make Emu less likely.

He said any delay would occur against the backdrop of a German economy whose main growth engine is exports. It would drive up the D-Mark, damage exports and nip Germany's fledgling economic recovery in the bud. "The chances [of Emu] at a later point in time would become even worse," he said.

He said delay of Emu could drive unemployment even higher because of the ratchet effect in the German jobs market. German companies have been cutting jobs during the recession, but did not create the same number of jobs in times of economic growth. The effect is that unemployment keeps on rising. One strategist, who preferred not to be identified, said his company would take a particularly hard look at investment intentions and factory locations. A delay in Emu would probably "have consequences for employment".

The precise effects of any delay would depend on how and when it was announced and what it entailed:

> 'Postponement would sound death-knell of whole project' – BDI economist

whether the January 1 1999 starting date would be replaced by another date, or whether the delay was open-ended. It will also depend on whether there would be an interim currency arrangement, such as narrow-band exchange-rate mechanism to avoid fluctuations.

Ultimately, it will depend on whether companies, banks and financial markets find any new date credible. Industrial companies and banks that have invested thousands of hours and millions in D-Marks, francs and guilders may have difficulties in doing so.

Emu's strains, Page 12

Wolfgang Münchau

Emu: who's going to make it

J P Morgan Calculator 10/3/97

	Yesterday	1 week ago	4 weeks ago
[illegible]	[illegible]	[illegible]	[illegible]

The Emu calculator reveals, real time, the probability of individual countries joining Germany in a monetary union in 1999 implied by financial market prices. Market probabilities are derived from the interest rate swaps market, in which investors swap floating-rate interest payments for fixed-rate ones.

The implied probability of Italy participating in Emu in 1999 can be calculated looking at where the spread between post-1999 lira and D-mark swap rate lies between the zero level implied by Emu and the level we would expect if Italy is not in the Emu. Italy's non-Emu spread is estimated by currency strategists at J.P. Morgan using the pre-1992 correlation of the lira-D-mark swap spread with similar spreads outside Europe.

Spanish institutions go through all the motions

Spain's banks count the cost of the changeover, writes David White

Knock, knock. Who's there? Euro. Euro who? Euro gonna have to change your money...

The little joke comes from Mr Jorge Hay, a managing director of Banco Central Hispano, who represents Spanish banks on the European Banking Federation's euro committee.

Given the situation of Spain's financial sector – going through the motions of the changeover regardless of whether Spain joins the European single currency at the outset or not – it is actually rather a pointed crack.

Spanish banks face the full cost of preparing for the single currency by the target date of January 1, 1999, without knowing for certain if the country will be admitted then or made to wait.

The tasks include such basic changes as switching their computer systems to cope with decimal points, which have long since been abandoned for the peseta.

Mr Hay reckons that not only would banks be unable to save any of these costs if Spain's entry were delayed, but that their final bill could be even higher.

BCH has promoted itself in Spain as "the euro bank", aiming to be ahead of the game in preparation for the euro. It estimates that with euro entry the Spanish banking system stands to lose annual business of Pta94bn ($646m), and that the adaptation cost could be around Pta180bn.

"As far as we know, nobody else has come up with estimates," Mr Hay says. The bill for converting to the euro is based on the present plan for a three-year transition and six-month overlap period between the euro and national currencies. Any shortening of those periods would reduce the cost calculation.

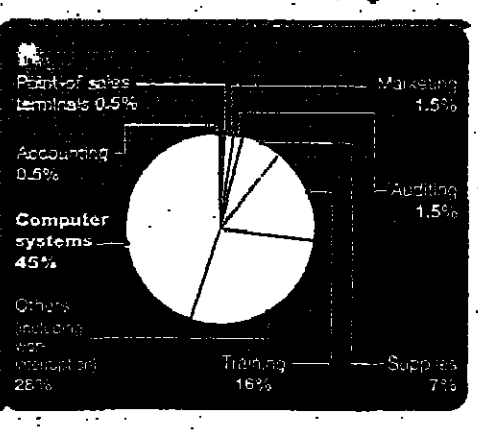
Against these income losses and costs, the bank sees euro membership as bringing higher growth, a more attractive currency, and more integrated financial markets. These benefits would include lower capital costs, increased demand for credit, and international demand for euro-denominated assets.

A delay in Spanish entry, Mr Hay reckons, would if anything raise the negative side of the equation. Banks would be able to keep current business in foreign exchange commissions "a little bit longer" but would lose other kinds of business, for instance with correspondent banks in Latin America. "If we don't come in at the beginning, these banks are likely to choose their partners within the euro zone," he says.

Mr Pedro Merry del Val, deputy managing director responsible for organising the changeover at the bank, says nobody can afford to wait until it becomes clear which countries will be part of the launch group. "If we don't change now, we won't get to 1999," he says. And even if Spain is left out, there will be customers who want products in euros.

Credit institutions have begun a third round of meetings with the Bank of Spain in a committee created 10 months ago to prepare for monetary union. The Spanish Banking Association (AEB) has run an Emu steering group since 1992 and recently sent its members an operational manual to help with the changeover.

Spain: cost of the switch to a single currency



Source: BCH

Aims outlined by the AEB include making customer accounts available in euros from the start of 1999, allowing for payments in pesetas during the transition period. Banks would issue account statements in both currencies.

The main part of the conversion cost – about 45 per cent, by BCH's reckoning – is in computer systems. Between software changes needed anyway to cope with the year 2000 and the new reporting systems for the euro, including the reinvention of decimal subdivisions, the bank's computer managers say it will have to change half its 40,000 programs, an estimated 345,000 hours of work, for which it will take on extra staff.

This does not include changes derived from the loss of business in areas such as currency exchange – a further 100,000 – or those involved in the search for new business.

Based on this calculation, the task of software conversion for the whole Spanish banking system will be sufficient to occupy some 1,700 computer programmers full-time for a year. BCH managers warn that this will create bottlenecks, and that programming costs may rise significantly. The more the job is delayed, they say, the more costly it will probably become.

BCH began training for the changeover in January. "The first step is to prepare the people who are in contact with clients," says Mr Merry del Val.

The bank's aim is to have at least one employee at each branch who is knowledgeable about the euro. This is no light task, since it has a network of 2,600 branches, more than any other Spanish bank, and substantially more than, for instance, Deutsche Bank.

Cash for Cuban biotech venture

By Pascal Fletcher in Havana

York Medical, a Canadian company with a pioneering biotechnology investment project in Cuba, is pressing ahead with plans to develop and market Cuban-produced biotech products in Canada and Europe after raising C$12m (US$8.8m) in a private placement.

"Now we are finally really moving," Mr David Allan, York Medical's chairman, said. The financing, which was clinched at the end of last month, will allow the Toronto-based company to fund research and clinical trials in Canada and Europe for a variety of promising Cuban medical and veterinary products.

York Medical has authorisation from the Cuban government to register and market overseas five products created at state-funded biotechnology research centres on the communist-ruled Caribbean island. The Canadian company has formed 50-50 joint ventures with the Cuban scientific centres involved.

Mr Allan said York Medical had approached about a dozen institutional investors in Canada and Europe. "We received orders for C$16m on a C$10m issue, and we accepted C$12m," Mr Allan said. The private placement was handled by Griffiths McBurney and Partners, the same Canadian investment bank which underwrote a C$675m ($500m) debentures issue last November for Sherritt International, another Toronto company with Cuban investments.

One non-Canadian investor which agreed to take part in the financing of York Medical was Havana Asset Management, the manager of Beta Gran Caribe, a British-based investment fund focusing on Cuba. Havana Asset Management was understood to be investing C$1.5m and would be represented on the York Medical board.

Mr Allan said investors had not been intimidated by the US Helms Burton law, which threatens penalties against foreign investors judged to be "trafficking" in expropriated, formerly US properties in Cuba. The Cuban products and research centres with which York Medical was involved had been developed after the 1959 Cuban revolution.

York Medical hoped to obtain its first licence in Canada in the next three months for Diramic, a Cuban-produced antibiotics testing system.

Glimmer of light in budget row

Senate leader has offered Clinton a chance to secure a deal, writes Gerard Baker

While the main focus of skirmishing between the Republican-controlled congress and President Bill Clinton's Democratic administration remains the mushrooming allegations of political fund-raising improprieties, attention will turn this week to continuing hostilities on another familiar battlefield – efforts to balance the federal budget.

One month after the president unveiled his tax and spending proposals for the next five years, the two sides are still far from agreeing a deal that would have a budget enacted in time for the fiscal year that begins in September.

Pressure on both sides for an early breakthrough is mounting. Republicans are especially anxious to avoid a repeat of the disastrous disagreement of two years ago, which resulted in a brief shutdown of the government and cost them dearly in political terms.

The economic climate is more conducive to a deal than it has been for many years. Continuing growth has cut the deficit from almost 5 per cent of gross domestic product in the late 1980s to a more manageable 1.7 per cent of GDP this year, or about $120bn.

But closing the final gap may be the hardest part.

Mr Clinton claims his proposals, which include small tax cuts and some larger spending reductions, would complete the progress made.

He says the plans would wipe out the deficit over five years, and even produce a small surplus of $17bn in 2002 – the first federal surplus in a generation.

But Republicans say those budget numbers do not add up. Last week their claim received powerful backing from the politically independent Congressional Budget Office. The CBO estimated that, because of optimistic economic assumptions and unreasonable expectations about what some of the proposed spending cuts might achieve, the president's budget plan would in fact still leave a deficit of $69bn in 2002.

The credibility of the president's budget was also somewhat undermined by the fact that the bulk of the planned spending cuts are not due to occur until the last two years of the programme – after Mr Clinton has left office.

Mr Newt Gingrich, the speaker of the House of Representatives, poured scorn on the White House proposals last week. "The budget they sent up must have been a draft," he said.

Republicans led by Senator Trent Lott, the Senate majority leader, say the budget needs much tougher spending cuts, focused particularly on entitlement programmes such as Medicare, the health insurance programme for the elderly.

They say relatively small changes, which would include raising the contributions the better off make towards their medical expenses, would not hurt and would significant reduce spending.

But the congressional leaders need even deeper spending reductions because of their commitment to bigger tax cuts than those in the Mr Clinton's budget.

Pressure on both sides for a breakthrough is mounting

The president proposed $98bn of tax cuts over five years, aimed largely at middle income families, as well as a small capital gains tax cut. The Republicans are pushing for an across-the-board cut in capital gains tax, which could cost an extra $50bn, a proposal strongly resisted by President Clinton and Mr Robert Rubin, his Treasury secretary.

With neither side willing to give way on these main tax and spending proposals, another long stand-off seemed inevitable.

But a development from an unexpected source in the last week could provide the basis for agreement. Last December a panel of economists appointed by the Senate published a report recommending a change in the way cost of living increases in government benefits and tax brackets are calculated each year.

The report said the consumer price index, the current basis of calculation, overstates inflation by about 1.1 percentage point a year, and called for a new method of calculating the increase. If the panel's recommendations were implemented they would reduce the federal deficit by $70bn by 2002.

Initially the report was handled with extreme caution by politicians on both sides, wary of upsetting the powerful political lobby of pensioners and other beneficiaries.

But last week, Senator Lott, in an attempt to break the budget impasse, called for the establishment of a commission that would change the cost of living calculations along the lines recommended.

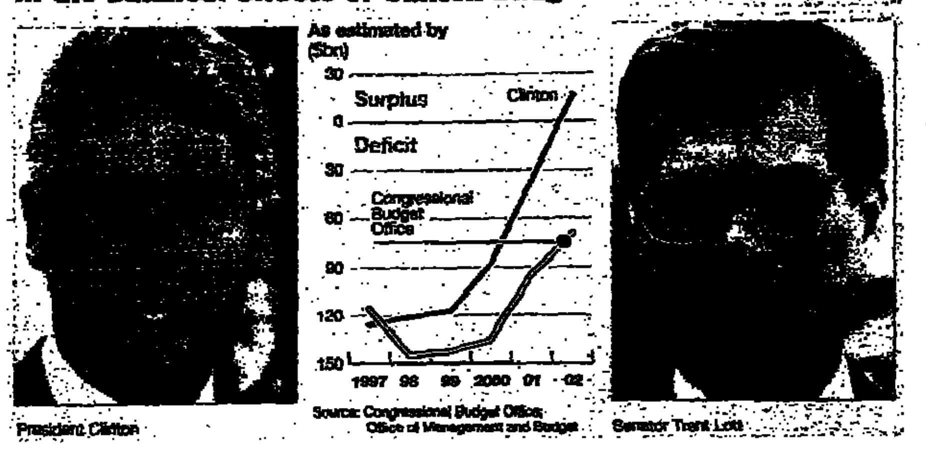
Other congressional leaders, including Mr Gingrich, are deeply suspicious. They fear Senator Lott could be walking into a trap. They do not want to be seen to be alone in backing a proposal that could prove unpopular.

Instead they have been waiting for the president to support the planned commission, thus rendering it bipartisan. As yet, however, the White House has expressed only cautious interest.

Senator Lott wants the administration to sign up to his proposal within the next two weeks. All last week congressional go-betweens went to and from the White House and the Capitol.

It is now up to President Clinton to decide whether he wants to seize the chance to secure a budget deal, or, as he has done so skilfully in the past, to exploit Republican support for a cause that could be damaging for his political opponents.

In the balance: effects of Clinton budget on federal deficit



President Clinton

Source: Congressional Budget Office; Office of Management and Budget

Senator Trent Lott

Beijing attacks Washington over 'irresponsible' reports of political donations

US confirms China funds briefing

By Gerard Baker in Washington

The US Justice Department told two officials at the National Security Council last June that the Chinese government was allegedly trying to influence last year's congressional elections by making surreptitious campaign contributions to a number of Congress members, the White House confirmed yesterday.

But the two officials did not pass the information on to senior figures in the administration, including President Bill Clinton, because they had been given the information only on the specific understanding that they would not circulate it within the White House.

"They were given a briefing on very specific ground rules and they respected those ground rules," said Mr Mike McCurry, the president's press spokesman.

However, China yesterday heavily criticised the US for what it said were irresponsible and wrong actions over reports that Beijing's embassy had made illegal political donations to the US Democratic party.

A senior Chinese foreign ministry official had made serious representations to the US chargé d'affaires in Beijing over an issue that had created bad feeling and undermined relations, the official Xinhua news agency said.

Xinhua quoted Mei Ping, director of the Chinese foreign ministry's Americas department, as saying: "The Chinese side has never got involved in US political affairs in any form. Such slanderous news and reports about China are ill-motivated fabrications . . . We hereby express our indignation and strong displeasure over the matter."

The revelation and the denial add a further twist to an increasingly extraordinary tale of the apparent attempts by China to buy US policy through judiciously placed but illegal campaign contributions.

At the weekend, Senator Dianne Feinstein, a Democrat from California, confirmed that she had been warned by the Federal Bureau of Investigation last year that China might attempt to influence her vote through such contributions. Press reports yesterday suggested as many as 30 members of Congress might have been targeted.

Administration officials said neither the president nor the senior national security staff knew anything of the attempts, and yesterday's revelation apparently explains why.

But there was no indication from the FBI, which is part of the Justice Department, or the White House as to why the bureau did not wish the information to be passed to the president.

It seems highly unusual that law enforcement officials who had purportedly identified a plot by a foreign government to subvert at least one branch of the US government, should not wish the president to be told about it.

The matter is almost certain to be a further source of controversy in the continuing Senate deliberations over the nomination of Mr Anthony Lake as director of the Central Intelligence Agency. Mr Lake was chairman of the National Security Council at the time of the FBI briefing.

But the new information is also likely to focus further attention on the allegations of improper fund-raising by the Democrats during last year's presidential election campaign. The FBI is understood to be investigating the origins of more than $3m raised for the Democrats by a number of Asian American businessmen with Chinese connections. The Democratic National Committee has been forced to return much of the money because it could not be sure where it came from.

It is not clear what the Chinese government was trying to achieve from its alleged activities.

AMERICAN NEWS DIGEST

Hope for Lima hostage talks

Talks were due to restart yesterday between the Peruvian guerrillas of the Tupac Amaru Revolutionary Movement (MRTA) and the government negotiator, Mr Domingo Palermo, after a four-day hiatus caused by suspicions of a planned assault by security forces.

Mr Nestor Cerpa, leader of the MRTA commandos who have held 72 hostages in the residence of Lima's Japanese ambassador for 12 weeks, suspended the guerrillas' participation in the tenth round of conversations scheduled for last Friday, claiming strange noises below the residence floor indicated the possibility of an "external attack".

A statement issued yesterday from Hamburg by MRTA's national directorate accused Peru's national intelligence service (SIN) of building a tunnel in preparation for an eventual "military solution".

President Fujimori has refused to comment on the tunnel possibility. There may be substance to MRTA fears, however. Mr Cerpa called two of the crisis "guarantors" – Canadian ambassador Mr Anthony Vincent and Peruvian archbishop Luis Cipriani – to the residence to examine the claims. They subsequently sent a message to Mr Palermo and called a meeting with President Fujimori. Their communiqué stresses several times their own – and President Fujimori's – commitment to a peaceful solution. *Sally Bowen, Lima*

Chicago seeks spy powers

The City of Chicago is seeking approval to restore its police spying powers, saying they are essential to combat gang and drug violence and monitor hate groups in Chicago. City officials have said they have lost control of public housing projects to street gangs financed by drug dealing.

The request, made by Mayor Richard Daley to a federal judge, raised the spectre of Chicago's notorious Red Squad, a police intelligence group disbanded in 1975 after documentation by community groups convinced a federal judge that its activities were illegal.

Mayor Daley said last week that Chicago was the only large US city not allowed to collect intelligence on gangs and drug dealers. Suburban police chiefs are supporting the request, but civil rights watchdog groups are wary. *Laurie Morse, Chicago*

New Mexico drug war chief

Mexico named a little-known lawyer yesterday to head the country's war on drugs, replacing a general who was fired and jailed last month on charges of taking bribes from a cocaine king.

Mr Jorge Madrazo, attorney-general, announced that Mr Mariano Herran Salvatti would take over the National Institute for Drug Combat (INCD) with a mandate to root out corruption and clean up the organisation.

Mr Herran replaces General Jesus Gutierrez Rebollo, who was imprisoned after the government said it found he was in the pay of Amado Carrillo Fuentes, the country's top drug lord.

The Gutierrez scandal caused an uproar in Washington, where members of Congress said it showed how far traffickers had penetrated Mexican government institutions, and deeply embarrassed President Ernesto Zedillo.

Mr Madrazo said Mr Herran, a lawyer and magistrate, had passed drug, character and lie detector tests, had his wealth checked and his family investigated before being named. *Reuter, Mexico City*

Colombia violence kills 24

A fresh wave of political violence swept across Colombia, leaving at least 24 people dead and dozens injured in massacres and guerrilla raids within 48 hours, authorities said yesterday.

In the violent north-west banana-growing region of Uraba, suspected leftist guerrillas massacred nine civilians on Sunday in what a local police chief called "acts of desperation". Marxist rebels also launched attacks in central Cundinamarca and eastern Meta provinces.

Some attribute the violence to a struggle for control of arms and drug smuggling routes, while others say it surged after rightwing death squads and the military struck a covert pact to drive rebels and leftist sympathisers out of the area. *Reuter, Bogotá*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	11.6	6.5	6.82	8.39	3.12
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	8.50	3.43
1990	3.6	5.5	8.06	8.55	3.60
1991	6.0	3.7	5.87	7.86	3.21
1992	12.4	2.0	3.75	7.00	2.95
1993	11.6	1.2	3.22	5.86	2.78
1994	6.2	1.4	4.67	7.08	2.88
1995	–0.2	1.9	5.93	6.57	2.61
1996	–3.2	4.9	5.41	6.43	2.15
1st qtr.1996	–2.3	5.2	5.30	5.89	2.21
2nd qtr.1996	–2.4	5.4	5.42	6.70	2.18
3rd qtr.1996	–3.8	4.4	5.49	6.77	2.20
4th qtr.1996	–4.8	4.6	5.45	6.35	2.02
March 1996	–1.8	5.9	5.31	6.26	2.19
April	–2.3	5.8	5.38	6.50	2.20
May	–2.4	5.4	5.39	6.72	2.18
June	–2.4	5.0	5.48	6.90	2.17
July	–3.2	4.7	5.53	6.85	2.25
August	–3.9	4.4	5.42	6.62	2.19
September	–4.2	4.3	5.52	6.82	2.16
October	–4.9	4.4	5.43	6.54	2.08
November	–4.7	4.7	5.41	6.19	2.00
December	–4.2	4.9	5.51	6.29	1.99
January 1997	–3.8	4.9	5.47	6.56	1.90
February			5.40	6.42	1.84

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.16	0.48
1990	2.6	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	–0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.18	0.87
1994	5.4	2.9	2.12	4.20	0.78
1995	8.2	3.2	1.12	3.39	0.86
1996	13.7	3.1	0.48	3.03	0.75
1st qtr.1996	15.5	3.1	0.49	3.16	0.76
2nd qtr.1996	15.7	3.8	0.49	3.24	0.72
3rd qtr.1996	13.4	3.5	0.51	3.11	0.75
4th qtr.1996	10.6	3.1	0.42	2.62	0.77
March 1996	16.1	3.1	0.51	3.18	0.77
April	15.3	3.0	0.49	3.23	0.71
May	15.5	3.3	0.52	3.28	0.72
June	16.3	3.8	0.46	3.19	0.71
July	14.3	3.7	0.55	3.27	0.74
August	13.8	3.7	0.53	3.14	0.76
September	12.2	3.5	0.43	2.91	0.78
October	11.0	3.7	0.43	2.75	0.76
November	10.8	3.3	0.42	2.82	0.77
December	10.0	3.1	0.42	2.48	0.80
January 1997	10.3	3.1	0.43	2.49	0.86
February			0.44	2.44	0.88

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	9.0	7.3	4.03	6.14	2.2
1988	9.8	6.4	4.34	6.46	2.6
1989	6.3	5.7	7.12	6.90	2.2
1990	4.5	4.5	8.49	8.66	2.1
1991	5.1	5.6	9.25	8.42	2.3
1992	7.1	8.2	9.52	7.80	2.4
1993	9.4	7.9	7.28	6.47	2.1
1994	9.6	9.0	5.36	6.86	1.7
1995	3.7	0.0	4.53	6.82	2.0
1996	10.4	7.8	3.31	6.21	1.8
1st qtr.1996	9.3	6.0	3.45	6.17	1.8
2nd qtr.1996	10.5	7.8	3.33	6.47	1.8
3rd qtr.1996	10.8	8.8	3.27	6.34	1.8
4th qtr.1996	11.1	8.6	3.18	5.89	1.6
March 1996	10.3	7.3	3.36	6.44	1.9
April	10.6	7.6	3.33	6.39	1.8
May	10.4	8.1	3.29	6.45	1.8
June	10.4	7.8	3.38	6.57	1.8
July	11.2	8.7	3.38	6.48	1.8
August	10.9	9.0	3.29	6.30	1.8
September	10.3	8.7	3.12	6.23	1.7
October	11.9	9.0	3.12	6.00	1.7
November	10.0	9.0	3.19	5.86	1.6
December	11.3	7.8	3.23	5.79	1.6
January 1997	11.1	8.7	3.14	5.79	1.5
February			3.19	5.58	1.5

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.1	11.5	8.63	9.46	2.75
1988	3.9	8.3	7.94	9.08	3.69
1989	7.5	10.0	9.40	8.79	2.88
1990	3.8	9.3	10.32	9.92	3.19
1991	–4.9	2.4	9.62	9.03	3.58
1992	–0.2	5.4	10.36	8.57	3.55
1993	1.6	–2.2	8.55	6.75	3.21
1994	2.9	0.7	5.84	7.21	2.99
1995	8.4	4.6	6.60	7.53	3.17
1996	–0.7	–2.9	3.94	6.32	3.05
1st qtr.1996	7.1	3.9	4.47	6.55	3.10
2nd qtr.1996	7.0	1.2	3.96	6.51	3.02
3rd qtr.1996	5.1	–1.1	3.86	6.35	3.16
4th qtr.1996	–0.7	–2.9	3.48	5.85	2.92
March 1996	7.1	3.9	4.27	6.64	3.10
April	4.6	2.5	4.00	6.51	3.02
May	5.6	2.3	3.90	6.46	3.01
June	7.0	1.2	3.88	6.56	3.02
July	4.8	0.4	3.84	6.46	3.15
August	6.9	0.0	3.98	6.35	3.20
September	5.1	–1.1	3.75	6.24	3.13
October	5.7	–0.8	3.51	5.97	3.00
November	6.9	–0.8	3.47	5.84	2.90
December	–0.7	–2.9	3.44	5.76	2.85
January 1997			3.35	5.69	2.71
February			3.33	5.39	2.52

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.4	9.6	11.32	10.58	1.84
1988	7.8	8.7	11.24	10.54	2.71
1989	7.2	9.2	12.42	11.61	2.46
1990	9.3	10.1	11.98	11.87	2.84
1991	7.3	8.5	11.83	13.20	3.45
1992	6.9	7.7	13.86	13.29	3.63
1993	4.7	7.4	10.22	11.23	2.35
1994	6.6	5.1	8.48	10.56	1.67
1995	0.2	0.4	10.38	12.22	1.72
1996	0.9	3.3	8.75	9.43	2.19
1st qtr.1996	–0.8	2.5	9.88	10.57	1.74
2nd qtr.1996	–0.7	3.6	9.01	9.89	2.24
3rd qtr.1996	1.4	4.1	8.59	9.38	2.49
4th qtr.1996	3.5	2.8	7.52	7.89	2.28
March 1996	–1.8	2.3	9.80	10.71	1.90
April	–1.8	2.6	9.52	10.35	2.14
May	–0.5	3.8	8.84	9.72	2.25
June	0.2	4.4	8.65	9.69	2.33
July	0.6	4.3	8.66	9.46	2.46
August	1.8	4.4	8.70	9.50	2.48
September	1.9	3.7	8.39	9.19	2.53
October	3.2	3.5	7.98	8.34	2.33
November	3.8	2.7	7.29	7.72	2.29
December	3.6	2.3	7.18	7.68	2.24
January 1997	7.4		7.20	7.43	1.98
February			7.29	7.15	1.86

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.7	15.2	9.77	9.69	3.6
1988	6.8	17.3	10.41	9.62	4.4
1989	5.9	17.6	13.96	10.11	4.3
1990	5.3	18.1	14.82	11.56	5.0
1991	2.4	7.9	11.58	10.08	4.9
1992	2.4	5.1	9.74	9.09	4.9
1993	4.9	3.5	5.99	7.40	4.0
1994	6.4	5.1	5.57	8.01	3.9
1995	5.9	7.2	6.77	8.16	4.1
1996	6.7	10.0	6.11	7.79	4.0
1st qtr.1996	5.9	10.1	6.26	7.72	4.1
2nd qtr.1996	6.5	9.9	6.06	8.06	4.0
3rd qtr.1996	7.2	9.5	5.83	7.85	4.1
4th qtr.1996	7.3	10.3	6.28	7.54	3.9
March 1996	5.7	9.8	6.14	8.05	4.1
April	5.8	10.0	6.09	8.06	4.0
May	6.4	9.9	6.12	8.09	4.0
June	7.4	9.9	5.94	8.05	4.1
July	7.1	9.1	5.80	7.91	4.2
August	7.5	9.5	5.84	7.82	4.1
September	7.0	10.0	5.87	7.81	4.0
October	7.5	10.5	6.02	7.51	3.9
November	7.4	10.8	6.40	7.58	4.0
December	7.0	9.5	6.42	7.55	3.9
January 1997	7.3	9.8	6.41	7.53	3.8
February	6.5	..	6.29	7.17	3.7

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. *Interest rates*: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. *Equity market yield*: period averages of the gross dividend yield on the relevant FT-A world index.

NEWS: INTERNATIONAL

Riyadh's fiscal severity wins IMF praise

But the kingdom is urged to press ahead with structural economic reforms, writes **Robin Allen**

Saudi Arabia, which holds a quarter of the world's proven oil reserves and whose stability is vital to western security interests in the Gulf, has been given a qualified pat on the back for its recent economic performance by the International Monetary Fund.

The Fund warns, however, in its latest staff appraisal that current buoyant oil prices might not last and urges the government to carry out structural reforms, "the speed and depth of which will play a crucial role in sustaining a high level of private sector investment, growth and employment creation".

The government's stringent fiscal policies of the last two years, as well as measures taken to increase non-oil revenues, have resulted in "a significant improvement in fiscal and external accounts", says the IMF. This is largely due to the way it has handled its $12bn oil revenue windfall – part of it used to pay off overdue debts. Saudi Arabia was able to achieve its first official current account surplus last year for 13 years.

The government's tough fiscal policies have taken their toll, says the IMF. . Real gross domestic product growth was cut to an average of "less than 1 per cent per year" between 1992 and 1995. According to the IMF, real GDP grew by an estimated 2.4 per cent last year on the back of higher oil prices and the payment of debts, some of which went back six years. The non-oil sector grew by about 3 per cent.

The IMF's real GDP figures compare with nominal GDP figures given by King Fahd Ibn Abdul-Aziz Al-Saud, prime minister, in his 1997 budget statement. According to the king, GDP grew by 8.6 per cent last year, twice as fast as in 1995.

The IMF cautions that "control and rationalisation of expenditure" alone are not enough to sustain growth and investment. With oil revenues making up 75 per cent of budget income, the government remains too dependent on fickle oil prices. The Fund repeats calls for the government to reduce its dependence on oil revenues; deepen structural reforms, including speeding up privatisation "within a clear strategy of government disengagement from commercial activities"; find jobs for Saudi nationals; and open up the country to foreign investors.

The IMF also emphasises the need for cuts in current expenditure including the annual wage bill and state subsidies which eat up 90 per cent of annual budget expenditure; an accelerated and more committed privatisation programme through incentives to the private sector; a streamlined business legal framework; and an improved quality and flow of economic and financial information.

None of these measures was referred to in the 1997 budget announced by King Fahd on December 30. Furthermore, subsidy cuts and price rises introduced in the 1995 budget have not been followed through, the report said.

Many of these issues are at the heart of Saudi Arabia's application to join the World Trade Organisation, referred to for the first time by the IMF. Senior US officials have said Saudi Arabia's application depends on progress in liberalising the economy, particularly investment and financial services and the enforcement of intellectual property rights.

The IMF recommends that the government consider introducing an income or consumption tax as a way of diversifying the revenue base. Senior diplomats said either would be controversial, not only because of growing inequality between 120,000 very wealthy, mostly older individuals and young Saudis coming on to the labour market, but also because taxation would break the unwritten pact between the Al-Saud family and its subjects of "no representation in return for no taxation".

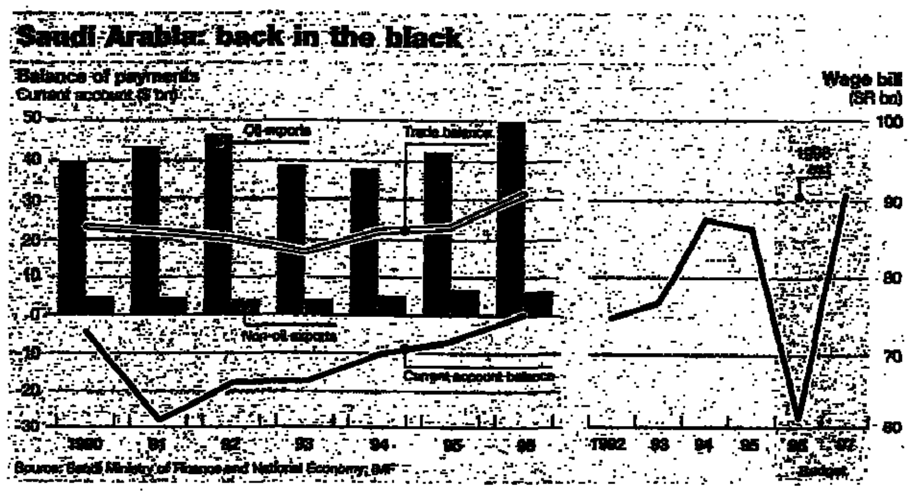
The main challenge now confronting Saudi policymakers, according to the Fund, is to increase employment opportunities for the rapidly growing young Saudi labour force.

More than half of the 12m population is reckoned to be under 21.

The government aims to create 659,000 jobs by 2000 – a figure that may prove over-ambitious given private sector complaints that it is too expensive to employ Saudi nationals, who are reluctant to do many of the jobs held by expatriates and cannot be dismissed.

Economists reckon that less than 7 per cent of Saudis work in the private sector, where lower wages can be paid to the 6m expatriate workers. Senior diplomats estimate unemployment among Saudis is between 2 per cent and 10 per cent.

Putting Saudi youth to work, says the IMF, should be done by maintaining economic growth in the private sector and improving education and training. There should not be "excessive reliance on quantitative targets and measures to increase the relative cost of foreign labour" which would only damage Saudi competitiveness.



Netanyahu and Arafat try to beat off revolts

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, Israel's prime minister, flew to Moscow yesterday, confident he has thwarted for the time being a revolt by nationalist members of his coalition who oppose the first of three Israeli pullbacks from the rural areas of the West Bank.

A no-confidence vote, due this week, has been postponed until next Monday, giving Mr Netanyahu more time to muster support.

Those domestic pressures partly explain why the US vetoed a United Nations Security Council resolution condemning Israel's construction of a Jewish settlement at Har Homa in east Jerusalem.

But Mr Netanyahu is not alone in heading an unruly coalition. Mr Yassir Arafat, president of the Palestinian Authority, is under immense pressure as well.

Since his return from Washington last week, Mr Arafat has faced a barrage of criticism from his supporters. Palestinian negotiators claim the peace process is barely on track following the Har Homa decision, the closure of four Palestinian offices in east Jerusalem and agreement to withdraw Israeli troops from only 9 per cent of the West Bank.

Although Israel, under the terms of the Hebron accord, can unilaterally determine the extent of its pullbacks, Mr Shimon Peres, leader of the opposition Labour party, said it was crucial to consult the Palestinians since such confidence-building measures were a vital plank of the peace process.

For the Palestinians, "the minimum" pullback, as Mr Netanyahu described it, was an ominous signal for further withdrawals. It could deny them sufficient land for a viable state, their ultimate aspiration. "All these developments are fuelling resentment among Palestinians," said Mr Saeb Erekat, a Palestinian negotiator.

This is why yesterday Mr Mahmoud Abbas, also known as Abu Mazen, the chief Palestinian negotiator, offered to quit, handing in his resignation to Mr Arafat, who has yet to respond. Whether or not this is brinkmanship, the signal coming from Mr Arafat's headquarters in Gaza is that he, as much as Mr Netanyahu, is under considerable pressure from his constituents.

What is of particular concern to the Palestinians is that these unilateral actions could play into the hands of extremist groups. "Does Netanyahu really want to erode Arafat's authority even though both sides need each other?" asked a Palestinian official.


Abu Mazen: offer to quit puts pressure on Arafat

Cayman banks report more suspect money

By Edward Luce in London

Banks in the Cayman Islands have disclosed many more cases of suspected money laundering since the British colony passed legislation on commercial crime last November.

Authorities in the Caymans, the world's fifth largest banking centre with an estimated $560bn in assets, say that the cases range from suspected embezzlement to organised crime.

The new law, which enables bankers to circumvent the Cayman Islands' client secrecy provisions when they suspect "dirty money" is involved, is closely modelled on the UK's Proceeds of Criminal Conduct Act.

Until November, banks were only allowed to alert the police to suspected cases of drugs money laundering. The new statute gives them the right to report on all forms of commercial crime, with the exception of tax evasion, which is not recognised as an offence.

"There has been a significant increase in the number of confidential disclosures since the law came into effect," said Detective Inspector Brian Gibbs, head of the offshore centre's financial crimes squad. "But it will be several months before we can establish how many of them will lead to legal action."

Mr Gibbs said he expected a further rise in disclosures during 1997 as the colony's 550 banks carried out reviews of all their accounts.

The law, which was urged on the Caymans by the US, carries criminal penalties for bankers who fail to disclose information about accounts which are subsequently proven to have involved money laundering.

The US has also put pressure on the Cayman government to scrap its controversial banking secrecy law, which makes it a criminal offence to release information about clients. It is usually a civil offence.

"Now that we have the new law in place all we really have left to do is change the banking secrecy law," said Ms Jennifer Dilbert, executive director of Deutsche Morgan Grenfell in the Caymans.

The Cayman government has not yet announced plans to alter its banking secrecy law, but bankers believe that the move is inevitable in the next few years. Business in the Caribbean offshore centre is increasingly dominated by mutual funds, eurobond issues and other types of non-personal banking.

Libya forms tie with Vatican

By Robert Graham in Rome

Libya yesterday achieved an important breakthrough in its drive to end its international isolation with the announcement that the Vatican had established diplomatic relations.

The recognition had been under discussion between the Holy See and Tripoli for three years. It came despite continued attempts by the US to prevent any diplomatic gesture that might seen to favour the regime of Colonel Muammer Gadaffi. Reports that the US had sought to block the initiative were denied by the Vatican.

Libya was the only country in North Africa with which the Vatican had no formal ties.

The impetus for full diplomatic relations appeared to come from the Libyan authorities.

The Vatican said the move would help minister to 50,000 Christians in Libya, most of whom are Filipino workers. It comes when the Vatican is keen to promote better links with the Moslem world, and follows criticism by the Pope of Israel's decision to press on with a new settlement in east Jerusalem.

Letter urges unity on 'fundamental issue of UK commitment to the single market'

Business leaders attack Euroscepticism

By Stefan Wagstyl, Industrial Editor

Twenty three British business leaders have stepped into the debate over the UK's role in Europe with an attack on "the spread of extreme Euroscepticism".

In a letter in today's Financial Times, they condemn "the mistaken belief that an arm's length and hostile attitude on Europe is now in the UK's best interests".

The authors deny their attack is aimed at the Conservatives, even though Tory rightwingers have been among prominent critics of the European Union.

Sir Colin Marshall, president of the Confederation of British Industry, the employers' lobby group, and chairman of British Airways, said yesterday: "This is not party political. There are Eurosceptics on both sides. But we are concerned about the level of anti-European sentiment. And we are concerned it might get worse in the run-up to the election." Sir Colin and his fellow signatories are concerned the debate about European monetary union is being turned by Eurosceptics into an argument about the UK's membership of the EU.

The letter says: "There are many important issues on which political arguments should focus. But on the fundamental issue of UK commitment to the single market we should be united." It adds that Britain's position at the EU negotiating table will be "gravely weakened" if its commitment to the EU is in doubt.

The letter follows a similar appeal last year in which 16 business leaders warned the UK risked isolation if it permanently ruled out joining Emu. Ten of the 16 have signed today's letter.

Several signatories reinforced the letter's message with personal comments. Sir Ronald Hampel, chairman of ICI, said unless European countries, including the UK, pursued the creation of the single market they would face difficulties competing with the US and Asia.

Sir Brian Moffat, chairman and chief executive of British Steel, said: "It would be absolutely crippling to withdraw from the EU."

Sir Clive Thompson, group chief executive of Rentokil Initial, said: "What we are really asking for is an improvement in the quality of debate and for some politicians to stop resorting to xenophobia."

Mr Nick Reilly, chairman of Vauxhall, the UK subsidiary of General Motors, said: "The timing for the letter is right because the issue will be high on the political agenda during the election and we want to make sure at the start that the debate is more meaningful than just politics."

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N Ireland gets smart in City shirts sector

Province carves out niche making upmarket garments to counter competition from Asia

Walking past any of the gentlemen's shirtmakers on London's Jermyn Street, one half expects to glimpse an army of tailors stitching away at the back of the shop. The reality is somewhat different.

In fact, most of the brightly coloured shirts, with their distinctive stripes and removable collar-bones so beloved of the City of London, are made in Northern Ireland at three small, privately-owned textile factories. While much of the UK garments industry has been devastated by cheap Asian imports, Ulster has carved out an important niche for itself. It accounts for 60 per cent of Jermyn Street shirt sales, a market worth £30m ($49m) a year, compared with total UK shirt sales of about £800m.

Ulster has long had a tradition in textile manufacturing, on the back of its role in the international linen trade. But its dominance in this rarefied zone of the market owes much to the foresight of Mr Robin Eagleson.

In 1984, as executive director of Spence Bryceson, an Ulster-based textile company, Mr Eagleson decided to move his shirt production upmarket to make the more skills intensive, technically demanding Jermyn Street product.

Until then, the company had supplied a range of shirts for UK retail multiples, but increasingly buyers were looking offshore to production in Asia and elsewhere. "We had to review our products and decide which we could make money on," he recalls.

Until then, many of the Jermyn Street shirtmakers had relied on their own factories. But in the mid-1980s the market changed dramatically, with the arrival of the City yuppie and the launch of Thomas Pink, the shirt retailers, which did much to popularise the product.

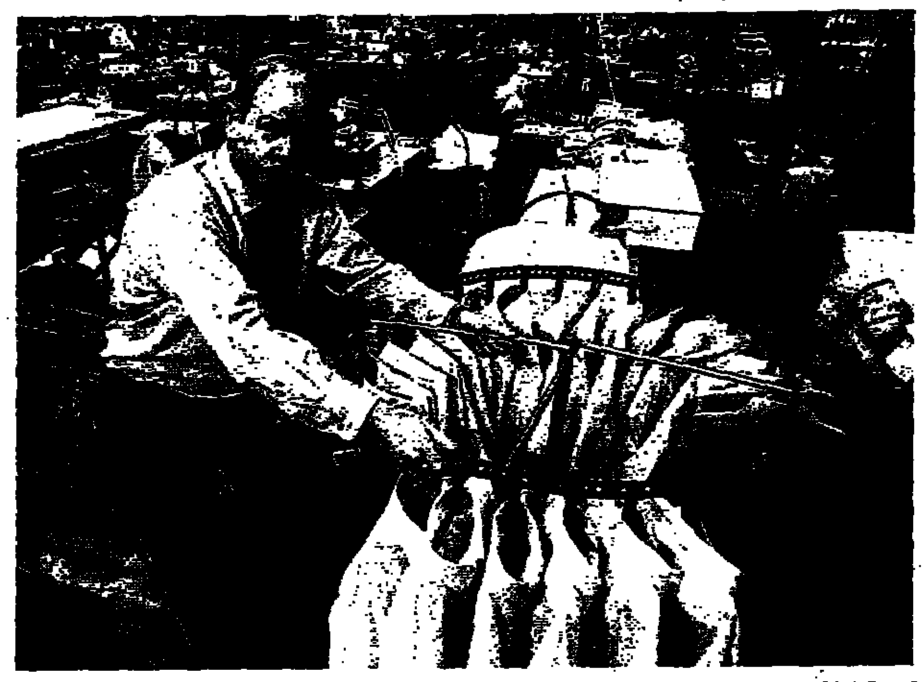
Although there are no official industry figures, Mr Eagleson estimates that the total market for the Jermyn Street product has doubled in the past decade.

Signalling his own confidence in the future, last December he became the managing director and 85 per cent owner of Shirtmakers Guild, the company he formed through a management buy-out with Richards Group, the Scotland-based carpets company which took over Spence Bryceson in 1991.

Its factory in the town of Portadown, with its 140-strong, almost exclusively female, workforce, now produces for most of the big London names. It turns out up to 3,000 shirts a week in batches as small as 250.

With shirts for rival companies being made under the same roof, often on the same production line, Mr Eagleson likens the situation to the "Chinese walls" that keep apart the investment and corporate finance arms of banks. "An American buyer came to the factory on one occasion and took five shirts from his briefcase and asked me to assess them. I had to tell him that we made four of them and the other was imported from Hong Kong," he says.

Today Hong Kong – and increasingly Mauritius and Morocco – account for 85 per cent of all the shirts worn in the UK. Many areas of traditional production have been hit. According to the Industrial Development Board, the Northern Ireland investment authority, employment in the shirt sector has halved since 1987 and now stands at 2,200. "It was a classic case of UK industry failing because of lack of flexibility," says Mr Eagleson.



Crispin Rodwell
Robin Eagleson: long term concern is that Jermyn Street production will move offshore

One of his worries is the possible introduction of a minimum wage, which the main opposition Labour party has pledged if it wins the general election. The long term concern is that Jermyn Street production will also move offshore.

But for now, the business seems in good shape. Northern Ireland has harnessed its skills base and has used its proximity to the market to meet the retailers' need for short production runs and small lead times.

He believes the Jermyn Street product is now almost a "City uniform", and remains relatively unmoved by changing fashion.

Modest expansion is now taking place. Last month, the Savile Row Shirts company, originally a mail order business, announced an investment of £1.4m in automatic cutting and stitching machines and computer aided design at its factories at Coleraine and Castledown, Northern Ireland. In October, expansion plans were also unveiled at Bespoke Shirts in nearby Lisburn, a dedicated supplier to Thomas Pink.

James Mullen, co-founder and marketing director of Thomas Pink believes Northern Ireland will retain its pre-eminence.

"If we're selling a Jermyn Street shirt, our customers want to believe they are getting a traditional English product," he says. "Okay, it was in fact made in Northern Ireland. What's important is it shouldn't be from Taiwan."

John Murray Brown

Trader abandons Danish project

By Clay Harris in London

Mr David Rycott, the former London options trader, has abandoned his effort to win Danish regulatory approval for a currency trading scheme, only days after giving a legal undertaking not to conduct any investment business in the UK.

The move appears to dash Mr Rycott's original hope of gaining a "passport" recognised throughout the European Union under the EU's Investment Services Directive.

Finanstilsynet, the Danish financial regulator, said yesterday that Scandinavian Forex and Futures Group, a Copenhagen-based company owned and run by Mr Rycott, had withdrawn its application for authorisation. SFFG will have to stop doing business in or from Denmark, the regulator said.

SFFG had withdrawn a similar application in the UK to the Securities and Futures Authority in May last year after Mr Rycott decided to concentrate his efforts on Denmark.

Last week, Mr Rycott and his Spanish company, Anglo Scandinavian, agreed in the High Court in London to return £380,125 ($619,603) to 80 UK investors in a currency trading scheme and not to engage in investment business in the UK.

After receiving the undertakings, the Securities and Investments Board discontinued legal proceedings against them.

UK and Spanish regulators have been in contact about Anglo Scandinavian, whose trading operation is based in Marbella. Its activities would require authorisation under a draft law now before the Spanish parliament, but its present status is less clear, the Spanish regulator admits.

The action against Anglo Scandinavian was the UK regulator's second against Mr Rycott. In 1988, it applied successfully to have DPR Futures, his previous options and futures trading company, compulsorily wound up on public interest grounds.

Inflation figure lifts rate rise pressure

By Wolfgang Münchau, Economics Correspondent

Pressure for higher UK interest rates receded further yesterday on the news that producer price inflation dropped to 1.3 per cent in February, the lowest rate since October 1986.

Mr Eddie George, governor of the Bank of England, the UK central bank, predicted that inflation excluding mortgage interest payments would fall below the government's target of 2.5 per cent this year, a comment that fueled the market's optimism about the UK's inflation and interest rate outlook.

Although Mr George was only reiterating an earlier inflation forecast by the Bank, his comments – made in Switzerland at the Bank for International Settlements – helped the pound, which ended up 3 pfennigs higher at DM2.728 ($1.60).

The benign inflation outlook was corroborated yesterday by the British Retail Consortium, whose retail sales monitor showed that annual growth in the value of retail sales dropped from 4.9 per cent in January to 4.3 per cent in February.

According to the Office for National Statistics, output price inflation went down from an annual rate of 1.5 per cent in January to 1.3 per cent in February.

The fall in producer price inflation largely reflects the deflationary effects of the strong pound, which is also feeding into shop prices amid growing evidence of intense price competition among retailers.

Excluding food, drinks, tobacco and oil, output prices rose even less – by an annual 0.5 per cent after 0.6 per cent in January. Input prices – prices for raw materials and fuels – declined by an annual 6.6 per cent, after a decline of 6.5 per cent in January.

The latest economic releases support the stance taken by Mr Kenneth Clarke, the chancellor of the exchequer, who has been resisting pressure by the Bank of England for a small rise in base rates, which are currently 6 per cent.

Ms Angela Knight, Treasury minister, hailed yesterday's figures as indicating the UK now had an "unclouded outlook for prices in the high street [retail centres] this spring".

The BRC retail sales monitor showed that one of the factors behind the fall in retail sales growth was a large fall in the price of fresh produce. The BRC said: "The strong pound proved to be a two-edged sword, keeping prices down but also keeping tourists away."

Yesterday's economic data are consistent with a series of other recent releases showing inflationary pressures are subsiding.

Mr Edmund Nonis, UK economist at Nikko Europe, said that the effect of stronger sterling had not yet fully fed through into prices.

BAe to recruit graduates outside Britain

By Michael Skapinker, Aerospace Correspondent

British Aerospace is having to recruit graduates outside the UK because of shortcomings in the UK's education system, Sir Richard Evans, the company's chief executive, said yesterday.

Sir Richard said the problems began in primary schools where pupils were not being given an adequate grounding in technology and industry-related subjects.

He said: "There is a complete lack of understanding of what technology and industry are really about."

His comments came shortly before today's publication of the first government league tables for primary schools.

Sir Richard said BAe was attempting to improve technology education in the UK by forging close links with schools. It also planned to create its own degree-awarding university.

Sir Richard told the Aviation Club of Great Britain that BAe had set out to recruit 600 graduates last year but could not find enough qualified UK candidates.

He said: "This year, we're extending our recruitment network to the Continent and that shouldn't be the case."

Sir Richard said his group had established relationships with primary and secondary schools in the areas of the country in which it had facilities. BAe had provided the schools with computer hardware and had shown teachers around the company.

He said that schools now had computer equipment linked to BAe's systems. In some cases, even primary school pupils had worked on basic projects for the company, for which their schools had been remunerated.

Sir Richard said it had taken time to win some teachers round. "The teaching profession in this country is incredibly conservative. It took a long time to get this programme moving."

However, BAe's work had been welcomed by the children and their parents and this had helped it win the teachers' support.

He said the in-house university would help co-ordinate BAe's research links with education institutions and that he envisaged it getting accreditation to award its own degrees. He did not give a timetable for setting up the university.

BAe is one of Europe's leading aerospace and defence companies. It has a 20 per cent stake in Airbus Industrie, the world's biggest aircraft manufacturer after Boeing of the US.

Free-market Labour seeks a greater voice in Europe

Trade liberalisation the priority, but the environment and a "social clause" remain high on the agenda

European Union membership has cost Britain sovereignty over much of its national trade policy – and a growing chunk of competition policy as well. Yet the UK's voice still counts for something on these issues in Brussels, where most of the big decisions are made.

Historically, Britain has often held a swing vote in the Council of Ministers on Europe's trade stance. Under the Labour party, it has tended to tip the balance towards protectionism; under Conservative rule, for the past 18 years it has been in the vanguard of the free-traders.

But for Mr Robin Cook, the opposition foreign affairs spokesman, these alternating doctrinal allegiances are a thing of the past. On trade, as on so many other economic policy issues, New Labour now embraces the free-market rhetoric – and, it seems, many of the principles – espoused by the Tories.

"Our record of support for trade liberalisation is very clear," Mr Cook says. "I don't buy the argument that increasing trade from poorer countries is necessarily a threat to the overall standard of living of European nations.

"It is wrong to believe Europe could get more prosperous while the rest of the world stays poor."

The painful industrial restructuring – and associated job losses – which competition from low-priced imports can bring would also hold no fears for a Labour government. "We will have to trade up to adjust to the global economy," he says. "But the overall effect should be positive for us." That, he says, is the point of Labour's emphasis on training, investment and technology.

If Mr Cook has no sympathy for Britain's industrial lame ducks, he is scathing about other EU members distorting competition by using taxpayers' money to bail out theirs. "The extent to which we have failed to cut state aid to steel plants on the Continent is deeply depressing," he says.

He partly blames the British government. It could have done more to get Brussels to clamp down on subsidies, he argues, if it had not alienated the rest of the EU by being "rude to everybody about everything at the same time".

On two issues, however, Mr Cook's enthusiasm for the law of the market is more restrained. One is environmental policy, on which he hold strong personal convictions, and which he would put high on his agenda as Foreign Secretary.

He says if safeguarding the environment clashes with free trade principles, the former should take precedence.

"It would be plainly preposterous if the second Earth Summit, in June, made recommendations to protect the environment and preserve the present climate, and then found them frustrated by the World Trade Organisation's concern for free trade."

Equally, the WTO should not be allowed to stand in the way of trade measures in multilateral environmental agreements, such as the Montreal convention, which bans ozone-depleting CFC gases. Mr Cook says, however, he has yet to formulate firm policy proposals on what he admits is a highly contentious issue.

He also disagrees with the EU's recent abandonment of plans to ban the use of leg-hold traps to catch furry animals. The proposal, which triggered a trade dispute with the US and Canada, was dropped after Sir Leon Brittan, the EU trade commissioner, concluded that it would violate WTO rules.

"We are in danger of undermining popular support for free trade if we say the whole of Europe cannot reach a mature decision that such a practice is one we are unwilling to tolerate," Mr Cook says. Underlining his personal commitment to the animal cause, he keeps on his desk a stuffed stoat (which is said to have met its end less painfully).

The second issue where Labour strays from the free trade path is in its demand for a "social clause" in the WTO, which would entitle members to restrict imports from countries which failed to respect basic labour standards. Mr Cook thinks that such a clause should be a valid defence when such restrictions are challenged in WTO trade disputes cases.

He claims a social clause would not be designed to interfere with liberal trade – but he admits there is a risk that it would be abused for purely protectionist purposes. That is one reason why Britain joined other countries in overwhelmingly rejecting the idea at last December's WTO ministerial conference.

Mr Cook agrees that the rebuff means the argument in favour of a social clause has probably been lost for the moment.

"No doubt people said that for a hundred years about slavery," he says. "But the opponents didn't give up."

**Guy de Jonquières
David Wighton**

UK NEWS DIGEST

Minister to hit at EU policy

The government will risk further controversy with its European partners this week when Mr Ian Lang, trade and industry secretary, travels to Germany to attack EU social policy.

Mr Lang's move marks an attempt to wrest back the initiative on Europe after a series of mistakes by cabinet colleagues and the defection on Saturday to the Referendum party of Conservative MP Sir George Gardiner.

It also constitutes part of a string of initiatives and policy statements leading up to a speech by Mr John Major, the prime minister, to the Conservative central council in Bath in the west of England on Saturday. Mr Lang will on Thursday tell the BDI, Germany's employers' organisation, in Düsseldorf of Britain's "grave concerns about the direction of European social policy", notably the social chapter of the Maastricht treaty.

Mr Tony Blair, the opposition Labour party leader, vowed yesterday that Labour's pledge to sign the social chapter would not jeopardise competitiveness. Speaking to the Newspaper Society, he said: "We will not impose the so-called German or European model of social and employment costs." Any attempt to impose such costs would be resisted "if necessary by the veto", although there is no evidence that any such move is contemplated.

John Kampfner

■ OIL AND GAS LICENSING

Latest onshore round launched

The government yesterday announced the launch of the eighth onshore oil and gas licensing round.

Mr Richard Page, the junior energy minister, said the new round was in response to demand from companies keen to gather methane from disused coal mines and to explore for conventional oil and natural gas reserves.

It will include all unlicensed acreage above the high water mark and will take in well-known beauty spots and sensitive environmental areas. These include Windsor Castle near London, where several years ago a Canadian company secured the consent of the Queen to explore beneath the royal estate. That license lapsed before any drilling could take place.

UK onshore oil production over the past 12 months has averaged just over 107,000 barrels a day, according to figures from Wood Mackenzie, the Edinburgh-based industry consultants. That compared with an average of 2.46m b/d from offshore fields.

But a number of small foreign companies, including several from Canada, have recently increased their interest in the UK onshore oil industry. *Robert Corzine*

■ CARE OF THE ELDERLY

Cool welcome for 'partners' plan

The government yesterday launched its long-awaited scheme to help the elderly meet the costs of long-term care without having to sell their homes, but the proposals received only a cautious welcome from insurers and carers who charged they did not go far enough.

The plans, announced by Mr Stephen Dorrell, the health secretary, would provide for "partnership" schemes which allow people to protect a portion of their assets if they require care provided they first take out insurance to cover some of the costs themselves. The move is the second of three big pre-election government initiatives aimed at encouraging individuals to take increased responsibility for their own future needs while expanding the role of the private sector in the provision of public services.

However, Mr Chris Smith, health spokesman for the opposition Labour party, dismissed the plans as a "small step" which would do little to help most pensioners. *Mark Suzman*

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■ PRIMARY EDUCATION

National tables expose gulf

A wide gulf in the academic standards achieved by the best and worst English primary schools is exposed by the publication today of the first national performance tables for 11-year-olds.

Mrs Gillian Shephard, the education secretary, hailed the publication as "the biggest public information campaign since the second world war".

But several teaching unions attacked the tables, calling them "misleading" and "a travesty", and local authorities have dubbed them "meaningless national statistics". The opposition Labour party said they "revealed the results of 18 years of Tory incompetence and inaction in tackling the basics in our schools". The tables – based on the performance of 600,000 pupils in last year's tests in English, mathematics and science – show that a rising number of 11-year-olds are reaching or exceeding "level 4", the expected level for their age. Yet more than four out of 10 children failed to reach the expected level in English and mathematics. *Simon Targett*

■ FINANCIAL WATCHDOG

Revised rules agreed by board

The Securities and Futures Authority's board yesterday agreed revised draft rules intended to ensure that senior managers of investment banks bear responsibility in cases similar to the collapse of Barings bank two years ago.

The SFA board agreed to present revised proposals – which have been adjusted following protests from the industry that the first draft was unreasonably strict – to the Securities and Investments Board for final approval. The SFA is expected to publish a statement on the revised rules this week. Amendments are likely to include a softening of the original proposal that senior executives should have to prove that they are not to blame for errors. *John Gapper*

Another year of decline forecast as governments cut spending

Emu drive hits construction machinery sales

By Peter Marsh

Sales of construction machinery in western Europe will fall again in 1997 as governments continue efforts to tighten economic policy to meet targets for economic and monetary union.

According to Off-Highway Research*, a London consultancy, sales this year of machines such as dump trucks, excavators and wheeled loaders are projected to fall 6 per cent, after declining 7 per cent in 1996.

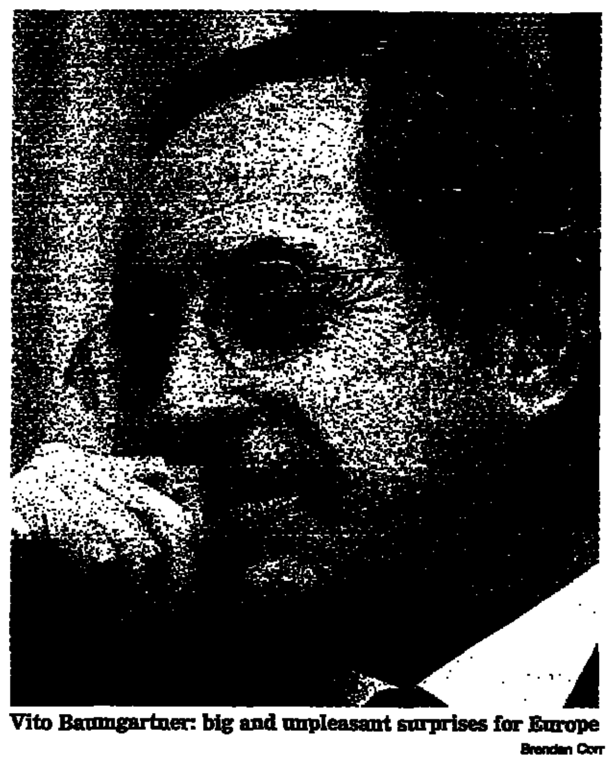
Annual sales across Europe at distributor prices of such machinery are put at about $20bn (£12.5bn). Much of the spending is by private operators but is linked to publicly funded infrastructure projects such as roads and railways.

According to the consultancy, efforts by governments to restrain public spending in the drive to meet Emu targets has hit construction spending. "This is particularly true of Germany and France, both ardent enthusiasts of Emu and both of whose construction sectors are suffering as a result," Off-Highway Research says.

Mr Vito Baumgartner, chairman of the European operations of Caterpillar, the US company which is the world's biggest maker of construction machines, said the drive by governments to meet tough Emu targets over areas such as inflation, debt and public borrowing would keep the overall market for construction machinery "flat" over the next year.

He warned that Europe could face "big and unpleasant surprises," such as rising unemployment, as individual economies try to mould their economies to meet the targets.

The goal of a common currency by 1999 would involve "tremendous challenges", but was not unattainable, Mr Baumgartner said.



Vito Baumgartner: big and unpleasant surprises for Europe
Brendan Corr

According to industry estimates, Caterpillar last year won about a tenth of construction equipment sales in Europe, making it the single biggest supplier.

In the Off-Highway Research projections, 92,431 units of the main types of construction equipment will be sold in western Europe this year, down from 98,038 in 1996.

The expected fall this year and the decline last year follow increases in sales in 1994 and 1995 of 16 and 5 per cent respectively.

Germany, which accounts for about a quarter of the west European market, will see a fall in equipment sales of 5 per cent this year, the consultancy adds.

Britain, with 19 per cent of the market last year, will see a drop of 7 per cent in 1997, with Italy likely to see a fall of 4 per cent and France a decline of 10 per cent. Italy and France are estimated to account for 15 per cent and 14 per cent of the European construction machinery market.

Looking further ahead, Off-Highway Research sees a gentle recovery in 1998, with equipment sales across Europe climbing 5 per cent, helped by a spurt in German unit sales of 16 per cent in that year. Both 1999 and 2000 should be growth years, the consultancy reckons, with European sales reaching 109,365 in 2000.

1997 review of the European construction machinery sector, Off-Highway Research, £250 ($407); 7 Upper St Martin's Lane, London, WC2H 9DL, UK.

W Europe: Forecast sales of construction equipment (units)

	1996	1997	Forecast 1998	1999	2000	2001	% Change 1996-1997
Austria	2,242	2,160	2,275	2,340	2,375	2,300	-4
Belgium	2,469	2,308	2,297	2,323	2,356	2,436	-7
Denmark	2,136	2,184	1,959	1,878	1,829	1,854	+2
Finland	809	795	874	910	884	844	-2
France	14,109	12,717	13,855	15,223	16,143	15,755	-10
Germany	25,886	24,325	28,165	32,800	35,350	35,480	-5
Ireland	983	949	887	848	853	875	-4
Italy	15,143	14,536	14,551	14,386	14,268	14,815	-4
Netherlands	3,225	3,108	3,028	2,958	2,963	2,213	-4
Norway	1,940	1,750	1,720	1,699	1,643	1,709	-10
Portugal	2,346	2,505	2,395	2,245	2,165	2,245	+7
Spain	4,397	4,455	4,520	4,895	4,960	4,710	+1
Sweden	1,418	1,549	1,627	1,677	1,665	1,706	+10
Switzerland	1,566	1,644	1,850	1,986	2,036	1,945	+5
UK	18,796	17,471	17,512	18,752	19,897	20,097	-7
Total	98,038	92,431	97,515	104,873	109,365	108,803	-6
% change	-7	-6	+5	+7	+4	-1	

Source: Off-Highway Research

Teachers seek to chalk up success

Canada is out to regain its share of foreign students, writes **Bernard Simon**

School principals, university presidents and the dean of a veterinary college were among 400 salesmen who accompanied Mr Jean Chrétien, Canada's prime minister, on a trade mission to the Philippines, South Korea and Thailand last month.

The 67-strong contingent of educators were pitching their schools, colleges and universities as aggressively as the aircraft, power equipment and software manufacturers on the trip. They set up exhibits and met local foundations, education institutions and government officials.

Their inclusion in the Team Canada mission was part of a drive by the country to regain market share in the increasingly intense struggle among industrial countries' schools and universities to attract foreign students. Academics point to the benefits of scholarly exchanges and fresh ideas. "We don't want to position ourselves as doing it just for the money," says Ms Sally Brown, senior vice-president of the Association for Universities and Colleges in Ottawa.

But money is a big part of the equation. The 20 foreign students who attend Jasper High School in the foothills of the Rockies – whose principal was among those on the Team Canada mission – contribute about 12.5 per cent of the school's budget.

A paper presented to an education conference in Brisbane, Australia, in 1995 estimated that about 1.5m university students worldwide study outside their home country. With each student spending an estimated US$18,000 a year on tuition and living expenses, the total market is valued at about US$27bn.

The Ottawa-based Canadian Bureau for International Education (CBIE), a non-profit agency, said in a recent report that "with accelerating growth in demand for university education, primarily in Asia, this market is expected to grow exponentially in the next 30 years".

Almost half of international students at present come from Asia, with the proportion expected to climb to about 75 per cent over the next two to three decades.

Besides the immediate financial gain, the hope is that foreign students will form bonds to their *alma mater* and its country that could pay off later in business contacts, trade and investment. Professor George Fallis, dean of arts at York University in Toronto and another member of last month's trade mission, said: "If you've done your job properly, the students have a great loyalty to the institution."

The US makes up roughly 30 per cent of the international student market (see chart). But Australian universities have been especially aggressive in recent years, doubling their market share to about 3.3 per cent by boosting foreign student enrolment from 16,000 in 1985 to 49,200 in 1994.

The UK's share has grown from 5.4 per cent to 12.6 per cent in 1995. The remaining 55 per cent is made up by other countries, including Germany and France, which offer free tuition to foreigners.

> The hope is that foreign students will form bonds with Canada that could pay off later in business contacts, trade and investment

By contrast, the University of Toronto, Canada's biggest, has seen its foreign numbers slide from about 4,200 in the early 1980s to 2,100 in the current academic year, equal to less than 4 per cent of the country's students.

Concern at the dwindling numbers choosing Canada has risen as the provinces, which have jurisdiction over education, have squeezed subsidies to trim budget deficits.

Ontario made an important concession last year by allowing each university to keep the fees it collects from foreign students. Previously, these fees were pooled and distributed to all campuses based on their total enrolment.

Many universities have reviewed fee structures to attract foreign students, with changes tailored to each institution's priorities.

The University of Toronto, which wants to secure its reputation in post-graduate research, has halved fees for foreign PhD students to C$7,500 (US$5,514) a year, far below levels at comparable US universities, but still more than double the C$3,400 charged to Canadians.

Undergraduate arts and science fees have come down by only about C$1,800. Fees in the medical and dental schools have been raised. High schools charge from C$7,500 in Alberta to about C$12,000 in British Columbia. Pupils must also pay living expenses, although some schools offer "host-family" arrangements.

Schools and universities have taken various other steps to woo foreign students. Many offer ESL (English as a second language) courses, and stay open during the summer holidays to enable foreign students to complete courses quickly.

The CBIE report underlined the need "to develop complete 'after-sales' service which can ensure. . . social adaptation and academic success".

Educators are also co-operating more closely among themselves and with the federal government. Seven Canadian Education Centres, funded by subscription, have been set up over the past year at Canadian embassies in Asia. Immigration authorities are loosening red tape for student visas.

According to Ms Brown, "we want to market the fact that we're a low-cost, high-quality option". However, other issues are at play. While she is also keen to emphasise that "it's not cold 12 months of the year", she ruefully admits that it is tough for Canada to compete against the weather in Australia.

Patents industry seeks cost cuts

By Clive Cookson, Science Editor

The world's patent specialists are meeting in London today to seek ways of cutting the cost of obtaining and maintaining patents. They say excessive costs inhibit innovation, by preventing smaller companies from protecting and exploiting inventions.

The heads of the US, Japanese and European patent offices will speak at the conference, organised jointly by the UK Chartered Institute of Patent Agents and the American Intellectual Property Law Association.

The agenda has three main items: cutting European patent costs; reducing the costs of litigation to enforce US patents; and stopping governments making a "profit" out of patent office fees.

Mr Andrew Serjeant, president of the Chartered Institute of Patent Agents, said the biggest issue would be costs in Europe. The cost of obtaining a typical 20-page patent in eight countries through the European Patent Office is about $24,000 of which about a third is patent office fees, a third is patent attorneys' fees and a third translators' fees.

The American Intellectual Property Law Association says in a paper for the meeting: "The overall costs of obtaining patents in Europe through the EPO are so high that they often defeat the purpose of creating the European patenting system. US applicants file about 30 per cent of cases in the EPO and thus they bear a substantial portion of these high costs".

The EPO recently cut its fees by 20 per cent, but translation costs are rising. Under the present system, the full patent has to be translated into the language of every country to which it applies. The conference will discuss proposals to limit the translation requirement.

The Europeans, for their part, will be urging their American colleagues to cut the costs of defending a US patent, which can run into millions of dollars.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for March 15 to April 14 (February 15 to March 14 in brackets).

D-Mark	5.67 (5.79)
Ecu	5.31 (5.41)
French franc	5.58 (5.78)
Guilder	
up to 5 years	5.30 (5.35)
5 to 8.5 years	5.95 (6.10)
over 8.5 years	6.65 (7.00)
Italian lira	6.72 (6.53)
Yen	2.30(2.30)
Peseta	6.85 (6.81)
Sterling	7.90 (8.23)
Swiss franc	4.32 (4.70)
US dollar	
up to 5 years	7.03 (7.16)
5 to 8.5 years	7.20 (7.33)
over 8.5 years	7.32 (7.47)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

WORLD TRADE NEWS DIGEST

Vietnam agrees telecoms deal

Vietnam's telecoms monopoly has approved in principle four contracts worth $1.3bn with foreign operators to install land lines in the country's two main cities.

The decision, by Vietnam Posts & Telecommunications (VNPT), ends months of frustrating negotiations for the four investors, which had hoped to sign the contracts almost a year ago. They are Cable & Wireless of the UK, NTT International of Japan, Australia's Telstra and France Télécom.

The Vietnamese officials say it is unlikely that the contracts can be signed until the 18-member ruling communist politburo has approved them. This is expected next month. The main reason for movement on the issue after months of stagnation is an end to political bickering at senior levels in VNPT and subsequent personnel changes in February.

There are also lingering doubts among communist policy makers on whether foreign investment is desirable in telecoms, a sector seen as important to national security. Some observers suspect Hanoi may still try to pursue network expansion without foreign help.

Hanoi has set ambitious telephone penetration targets of about five telephones per 100 people by 2000, against 1.5 now. However, it is short of cash and needs foreign know-how and investment to achieve this.

The four deals envisage installation by Cable & Wireless and NTT International of 500,000 lines in Hanoi. Telstra and France Télécom are to share the installation of 950,000 lines in the southern commercial hub of Ho Chi Minh City. *Jeremy Grant, Hanoi*

Taiwan to cut tariff on cars

Taiwan is to cut tariffs on imported cars from 30 per cent to a maximum of 20 per cent. The move was made in order to help the island's bid to join the World Trade Organisation. Economics ministry officials said that, in bilateral negotiations with major trade partners, Taiwan had pledged to broaden market access to one of its most restricted imports. Once admitted to WTO, Taiwan will gradually reduce tariffs from 30 per cent to 20 per cent over nine years. Trading partners have demanded that tariffs be cut to 15 per cent. Taiwan had previously offered to cut tariffs to 25 per cent over five years. Taiwan hopes to become a WTO member this year but its entry may be held back by China, which insists that it be allowed to join the international trade body before Taiwan. *Laura Tyson, Taipei*

Burmese sanctions opposed

The US-Asean Business Council, which groups top American and south-east Asian businessmen, yesterday said that they opposed the use of sanctions against Burma's military regime and that the US should instead adopt a policy of "constructive engagement". At a meeting in Singapore, the businessmen suggested that the idea of sanctions should be put aside in favour of pressing Burma towards democracy from the inside.

Asean groups Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. It has agreed Burma should join at the same time as Laos and Cambodia, resisting western pressure to keep Rangoon at arm's length. Asean maintains that "constructive engagement," maintaining normal ties while pushing for change, is the correct approach, a move endorsed by US executives attending the council. *Foreign Staff*

Club Med credit plan

European and Mediterranean financial institutions plan to set up an agency to guarantee private sector investments in Middle Eastern and North African countries. Mr Pierre Habib-Deloncle, president of Société Marseillaise de Crédit, said the Mediterranean Financial Club, a group of financial institutions on both sides of the Mediterranean, had completed a study on setting up an agency which would mitigate the risk of investing in countries signing up for the Euro-Mediterranean partnership, launched in Barcelona in November 1995.

The club is now marketing the idea to financial institutions in Europe with the aim of building a consortium of banks willing to guarantee credit and thus encourage investment. Political instability is often cited as a deterrent to investing in the region, which relies heavily on private sector involvement. *Roula Khalaf, London*

■ Deutsche Bank yesterday said it had been mandated by Russia's Vneshekonombank to arrange a DM1bn ($580m) credit package to finance German investment and export of goods to Russia. The agreement followed talks between Deutsche Bank and the Russian finance ministry. *Reuter, Frankfurt*

■ Qatar and the Philippines yesterday signed economic and commercial agreements and discussed the possibility of Qatar exporting liquefied natural gas (LNG) and liquefied petroleum gas (LPG) to Manila. Sales of Qatari gas to the Philippines would add to its growing customer base of power utilities in Asia, where it already has firm sales agreements in Japan and South Korea. Qatar is home to around 33,000 Filipino workers, but trade between the two countries has been less than 1 per cent of the Philippines' overseas trade. *Reuter, Doha*

Ecuador scraps second pipeline

By Justine Newsome in Ecuador

Ecuador's interim government has cancelled a project, favoured by the previous administration, to allow the private sector to build and operate a second oil pipeline.

Instead, it has resurrected an earlier project, begun last year and then suspended, to "optimise" the existing pipeline, the Trans-Ecuadorean Oil Pipeline System (SOTE) by increasing its capacity from 325,000 to 410,000 barrels a day.

Petroecuador, the state oil company, will invest $80m and carry out the expansion which will be completed by the end of 1997, said Mr Rafael Almeida, president of Petroecuador. Capacity could be increased using extra pumps and storage facilities. In June 1996 the US company Brown & Root Energy Services, a division of Halliburton Latin America, was contracted for engineering, project assistance and construction management.

Lack of transparency in the bidding process was one reason alleged by the new government for suspending the $400m project. A consortium comprising the US companies Enron and Williams Brothers, Constructora Norberto Odebrecht of Brazil and the Argentine company Techint was considered most likely to win a bidding round for the second pipeline.

There was considerable opposition to the new pipeline. Ecuador's oil union, which resisted the project, was one of the organisers of the strike which became a civic protest against the administration of President Abdala Bucaram and which precipitated the president's dismissal last month by Congress.

Supporters of the second pipeline project argue that without extra transport capacity, private oil companies which have signed contracts for exploration and production in recent years have little incentive to invest. "Pipelines are not built to discover reserves but to transport those already discovered," said Mr Almeida.

Shades boost to CD storage

The amount of information stored on a compact disc could be increased 50-fold if research on a new storage method based on the rotation of molecular "side chains" comes to fruition.

Discs made with this technology could eventually have a storage capacity of 100 gigabytes, according to Christian Van de Sande, head of photochemicals research and development at Agfa Gevaert, part of Bayer, the German chemicals company.

Currently, CDs are made by stamping tiny indentations into plastic, which can be read using laser light. The Bayer researchers are exploring a different technique, with "spots" of digital information recorded on a super-thin film of polymer.

The information is recorded when a laser is shone at the polymer, forcing groups of its "side chains" to rotate. The extent of the rotation of the side chains depends on the strength of the laser pulse. After the laser treatment, the side chains are fixed in position, because rotation is restricted by the presence of double bonds.

The disc is read with polarised light. The amount of light that is let through the polymer film depends on the degree of alignment of the side chains, and as a result the spots appear black, white or various shades of grey.

The presence of grey is significant as it means the disc is no longer simply a binary system. It has a third dimension, giving it increased storage capacity.

Dieter Freitag, head of materials research at Bayer, says the new technique is very promising.Over the next 10 years, however, Bayer says there could be a 20- to 30-fold increase in the storage capacity offered by conventional techniques, as a result of improved materials and shorter laser wavelengths.

Vanessa Houlder

The distinction between telephones and computers is increasingly blurred, writes **George Cole**

Intelligent conversation

"Your heart and your doctor are always in touch." So runs an advert for a new product set to reach the US market this year: a telephone with a built-in heart monitor.

The CardioVoice Phone from New Jersey-based CardioVoice Monitoring looks like a conventional telephone and offers the usual features, such as hands-free operation. But built into the handset is an electrode that can be used to monitor the heart rate and rhythm.

Users press a button on the telephone to call up their doctor's office, and then hold the handset against their chest. The data collected by the phone is passed to a receiving station based at the doctor's office. This produces a medical report which is printed out for the doctor.

The CardioVoice Phone goes on sale in the US later this year, and will cost about $180 (£110). The receiving station is much more expensive, however, at about $10,000. In spite of the high price, CardioVoice believes it is on to a winner, pointing out that there are about 60m Americans with known cardiac disorders.

The CardioVoice Phone is one of a growing number of smart or intelligent phones which offer much more than conventional telephone features.

Many of today's phones already offer a bewildering range of facilities, including last-number redial, speed dialling and customised ringing tones which tell you whether the caller is your mother or your manager.

But smart phones blur the line between computers, telephones and intelligent hand-held devices. The US research company Probe estimates that about 2.1m smart phones will be sold in the US this year, reaching 9.5m by 2000.

Another type of smart phone reaching the US market this year is the Internet home phone. This looks and operates like an ordinary telephone and plugs into standard telephone and power sockets. But as the name suggests, these phones can be used for exploring the Net. They have a display screen – most are about 6in to 7in – as well as a built-in Qwerty keyboard, microprocessor, modem and web browser software for exploring the Internet.

To log on to the Net, users simply press a button: there is no special software to load or any complicated start-up procedure to remember.

Once logged on, users can send and receive e-mail, access databases or conduct online transactions. Companies planning to market Internet home phones in the US this year include the Dutch electronics giant Philips, and the Californian companies Cidco and Navitel.

The US company Diba, and Mitsubishi, the Japanese electronics group, are jointly developing so-called "information appliances", consumer devices that can be used for fax, e-mail and accessing online services. One product under development is a home phone offering these facilities. These new phones will cost about $300 (£184) to $500 each in the US. Users will also need to pay a monthly Internet subscription, costing $20 to $25.

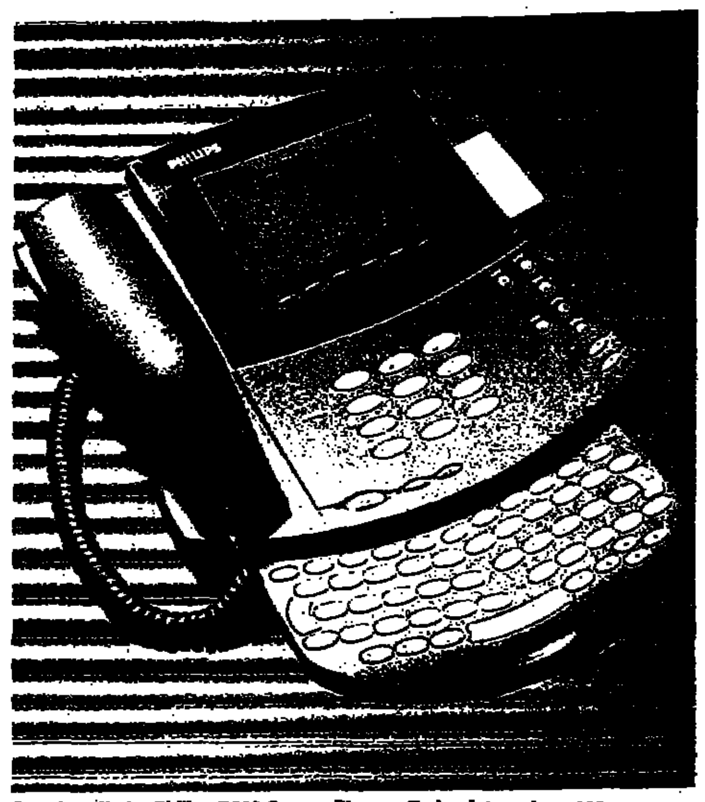
Navitel's product, the TouchPhone, uses Microsoft's Windows CE operating system, a cut-down version of the Windows 95 operating system used on many desktop PCs. TouchPhone also uses a web browser developed by Microsoft.

Supporters of Internet home phones point out that the telephone is a familiar and simple-to-use device. According to the Electronic Industries Association of the US, about 95 per cent of US homes have a telephone, with the average household owning 2.4 phones.

The supporters add that Internet home phones are much easier to use than a PC: "There is a pent-up demand for simple, cost-effective Internet access devices," says Robert Simon, Navitel's executive vice-president. "Integrating the Internet and the telephone is a fundamentally better approach to Internet access."

Potential users for Internet home phones include the residential, SoHo (small office/home office), hotel and retail markets. The phones could be used for home shopping and banking, collecting travel data or restaurant information or conducting financial transactions. Philips's P200 Internet Home Phone has a smart card reader for the EMV (Europay, MasterCard and Visa) and Mondex electronic money systems. The P200 can also be hooked up to a scanner, printer and digital camera (enabling images to be downloaded from the Internet).

Doug Dunn, chairman and chief executive of Philips Consumer Electronics, says: "These products will be useful for consumers who have not taken up the challenge and bought a PC [about 65 per cent of US homes do not have a PC]. Smart phones could reach a 10 per cent penetration level in the US by 2000 – and that is a conservative estimate."



Smart stuff: the Philips P200 Screen Phone offering Internet access

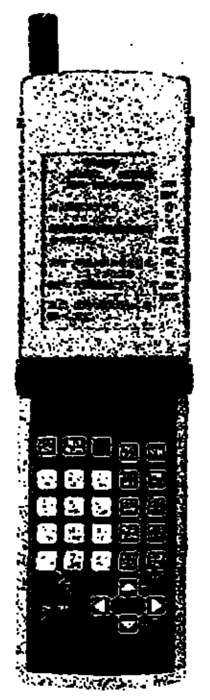
Even telephone users without Internet access can receive text, data and speech on an ordinary phone. In the US, a number of companies, including Cidco, Philips and the telecoms company Sprint, have launched telephones which conform to a standard known as Adsi (Analog Display Services Interface). This is a telecommunications protocol standard developed by Bellcore, which enables standard analogue phone networks to handle data and speech.

Telephones equipped for Adsi have large LCD screens for displaying text information, and can download special programs called scripts. These add functionality to the handset: for example, services such as call forwarding and conference calling can be activated by selecting an item from the phone's on-screen menu. Some telecoms companies use Adsi to offer a service known as Call Waiting Deluxe.

A conventional Call Waiting service simply warns a phone user that someone else is trying to call, but Call Waiting Deluxe displays the name and number of the person trying to get through, and offers a range of options – you can switch between calls, put the new caller on hold or ask them to leave a message.

Adsi also allows companies to send financial, business and entertainment information over the phone network, such as news, stock quotes and sports results. The US company SmartServ Online provides customised packages of business and entertainment information for use on Adsi-equipped phones.

This month, SmartServ and the Sprint began market trials of an Adsi-based interactive phone service in Las Vegas. Sprint customers with Adsi phones can receive a range of information, including local news, movie listings, weather reports and – an essential service for a city renowned for its vast range of gambling facilities – casino information.



Online telephone: the DataScope

Mobile information

A mobile telephone handset containing a microcomputer and small liquid crystal display screen to enable users to access e-mail and online services from almost anywhere has been launched in Japan by Kyocera, the electronics group.

The unit is the first such handset to be launched in Japan with a screen. Unlike the much larger but comparable Handy Terminal mobile telephone/computer unit released by Nokia, which has a full keyboard, Kyocera's DataScope DS-110 is designed primarily as a wireless mobile modem, to link computers to networks.

"This is the function we're most proud of, adapting the DataScope function using Kyocera's expertise in wireless personal handyphone communications with computer technology from International Business Machines to transform portable computers into mobile information centres," says Kyocera.

The handset features Kyocera's silent ID vibration unit, which notifies users of incoming calls, and its new "good manners" system, which enables users to speak in low tones in public places by simultaneously magnifying microphone sensitivity, cancelling noise and raising ear-piece volume so even whispers can be heard.

On its own, the unit relies on pre-installed software to access computer networks and download and transmit e-mail from the LCD screen. Although the unit permits "real-time" receiving, with about 500 hours of waiting time, receive and reply functions are limited due to the small size of the screen and keyboard.

Without a link to a bigger computer, the unit mainly depends on up to about 10 basic reply messages that can be stored in the unit. The small screens can display up to 12 horizontal characters by 20 vertical lines, and can also offer text editing functions. Software and interface, based on IBM technology, offer compatibility with a range of operating systems including Windows 3.1 and Windows 95.

The unit weighs just 175g and costs about Y45,000 (£230) in Japan, where Kyocera will watch consumer response to determine when and how it will sell the product overseas.

Kyocera's future plans for the DS-110 include group-ware compatibility, to allow access to in-house local area networks for receiving and transmitting e-mail and schedules.

Gwen Robinson

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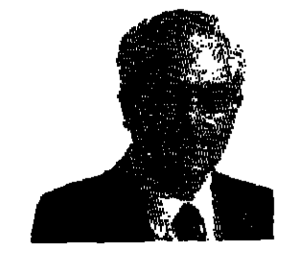
COMMENT & ANALYSIS



Martin Wolf

Emu's hidden strains

There are good reasons for delaying European economic and monetary union, but failure to meet the fiscal convergence criteria is not one of them

To anyone unfamiliar with the convoluted logic that accompanies Europe's plans for economic and monetary union (Emu), the notion that the launch of the single currency in January 1999 might have to be postponed because of Germany's growing unemployment will seem incredible. Yet that possibility is now widely canvassed.

Until recently, the focus for worries about the Emu timetable was France, struggling to reduce its fiscal deficit in the face of rising unemployment. But attention has switched to Germany since the seasonally adjusted increase in unemployment of 160,000 in January brought the country's unemployment rate to 11.3 per cent. This was then followed by another seasonally adjusted increase for February – albeit of only 5,000.

These figures confirm that Germany's labour market is not working. They also make it likely that – with unemployment already some 200,000 higher than the government assumed in its budget – the general government borrowing requirement will exceed the Maastricht target of 3 per cent of gross domestic product.

Yet bad though this news is, it hardly means Germany has become unsuited to participation in a stable euro zone – few would argue that lax monetary policy is to blame for the country's high unemployment. A more relevant conclusion would be that the economic convergence criteria, as currently interpreted, cannot draw an economically sensible line between countries that can live with monetary union and those that might be unable to do so.

In fact, the decision has apparently already been taken to pay little attention to the other fiscal convergence criterion in the Maastricht treaty – the requirement that public debt should not exceed 60 per cent of GDP. This the treaty would seem to allow, since it asks only that the public debt level be "sufficiently diminishing and approaching the reference value [60 per cent] at a satisfactory pace".

The willingness to tolerate high public debt ratios is explained by the fact that they take a long time to correct – so rigorous enforcement would exclude some member states from the single currency for decades. But a number of Germans, including Mr Theo Waigel, the finance minister, insist there can be no leeway on the 3 per cent target for fiscal deficits.

Insistence on a rigorous interpretation of the deficit criterion has three consequences. First, the judgment on whether a country is a suitable Emu entrant now seems likely to be taken on whether its cyclically unadjusted fiscal deficit happens to hit an arbitrary target in 1997. Second, Germany may fail to meet the criterion if its economy does not recover strongly. Third, precisely for this reason, some observers now expect EU leaders to agree to a postponement of the start of Emu from January 1999.

This is an absurd state of affairs. The rigidly applied fiscal deficit test does not make economic sense. Nor is it required by the treaty which states the deficit should be no more than 3 per cent of GDP "unless either the ratio has declined substantially and continuously and reached a level that comes close to 3 per cent; or, alternatively, the excess over the reference value is only exceptional".

Even a short postponement would undermine the credibility of monetary union, invite market speculation against weaker currencies and prolong the period of intense concentration on Emu that has afflicted the EU throughout the 1990s. Mr Helmut Kohl, the German chancellor, insists Emu is a matter of war and peace. It defies belief that a meaningless fiscal failure might be allowed to postpone so cherished a project.

When propositions so apparently irrational are advanced, there must be a hidden reason. In this case, it is Italy. Mr Kohl must convince worried German savers that the new euro will be as sound as the D-Mark. They have no problem about sharing their currency with the Dutch or the Austrians. The French have made an extraordinary effort to adopt Germanic monetary habits.

But Italy, with its history of high inflation and large fiscal deficits, may be too much to swallow. Even Mr Kohl, it is widely believed, could not sell Emu to his fellow Germans in the general election due in October 1998 if Italy were included.

Yet Italy – not to mention Spain and Portugal – has made heroic efforts to meet the Maastricht treaty criteria. It would be hard to exclude the southern countries if their deficits were to end up slightly above 3 per cent of GDP in 1997 unless Germany met the criteria cleanly. This is why Germany's economic performance this year has become so important.

Behind this fixation on arbitrary fiscal numbers therefore is something much more worrying: widespread German mistrust of the economic rectitude of some of their potential partners in the single currency. Since even senior Italian politicians agree it may be impossible to keep their country's public finances on the straight and narrow if it is not in the first wave of entrants, German suspicions are justified.

Indeed, Professor Ronald McKinnon of Stanford University argued in a paper to the American Economic Association at New Orleans in January that Emu's great achievement has been to force politicians in countries such as Italy to make necessary fiscal corrections. Quite reasonably, confidence in the continuation of such painful fiscal adjustment after monetary union may be small.

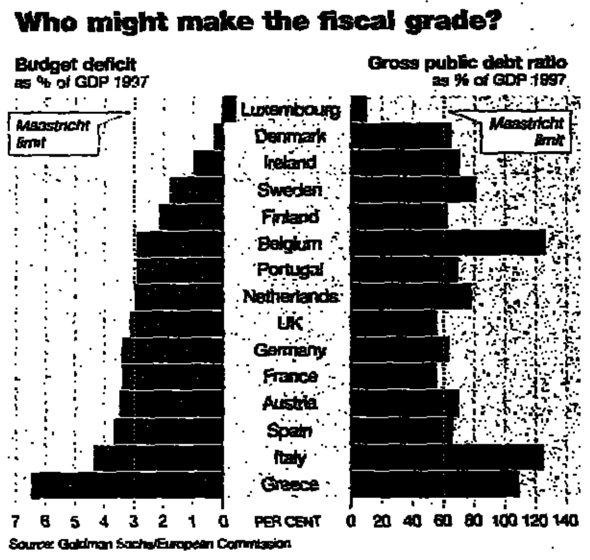
One solution is to start Emu with the small group of countries that have already achieved stability against the D-Mark over a long period and enlarge its membership a year or two later. In that way the German people would not confront southern European membership of the single currency immediately, but everyone who wanted to could be in before the switch to the new notes and coins in January 2002. If that proved impossible, the second-best alternative might indeed be delay, notwithstanding the many risks.

Yet the important difficulty is not the tactical one of timing the beginning of Emu to minimise the shock to the German people. Indeed it is not obvious why any of these all-too-transparent ruses would assuage their concerns. The big difficulty is strategic: Mr Kohl is trying to bind Germany into Europe with an arrangement that the majority of Germans dislikes. If they find the new euro unsatisfactory, they will end up less favourably inclined towards their neighbours, not more so. Monetary union would then drive Europe apart, not bring it together.

Emu's success – indeed survival – will depend on its legitimacy in every member state. When countries start off mistrusting one another such legitimacy is imperilled. But it will be still further endangered by the high unemployment that lies behind the concerns over Germany's fiscal prospects. The fiscal retrenchment demanded by Emu could too easily become the scapegoat for Europe's unemployment ills. Instead of being seen as a source of prosperity, the EU would be condemned as the cause of misery. That is a serious strategic risk. It could destroy Emu and gravely damage the Union.

Concern about precise fiscal deficits is indeed irrational. Worry about the consequences of launching Emu into a tide of mutual suspicion and economic failure is not.

Who might make the fiscal grade?



Source: Goldman Sachs/European Commission

Technology · Andrew Baxter

Minds of the future

By 2050, robots could take over many of the tasks currently done by human beings

Late last year, a robot at the cybernetics department of Reading University in the UK used the Internet to programme another robot at the State University in New York, "teaching" it how to move around.

The experiment was claimed as a world first and a "major breakthrough for machinekind". But it was also designed to wave a flag, particularly at the academic world and computer scientists, says Kevin Warwick, professor of cybernetics at Reading.

"We were trying to bury once and for all the idea that robots can only be programmed by humans," he says. "Not only do they not have to be programmed, but they can learn and change what they do, and programme another robot with what they have learnt."

Prof Warwick, one of the world's leading experts on robots and machine intelligence, hopes to explode a few more myths about robots in a recent book* aimed at a more general audience that was published in the UK last week.

Prof Warwick deals in science facts, to the extent that any prediction can be called a fact. One of these, he says, is that within the next 10 years there will be machines with a brain equivalent in size to a human's, in terms of quantity and density of neurons.

Prof Warwick's picture of the world in 2050 is a bleak one, but deliberately so: machines are dominant, few roles exist for a dwindling number of humans, which are kept for their usefulness alone. Children are operated on – by machines, of course – to remove the unnecessary elements of their brains or body. Many are taken to the incinerator in their late 20s.

This vision may seem absurdly far-fetched and excessively apocalyptic, but Prof Warwick wants to alert people to the possibility that it could happen, given the pace of change, the current state of machine intelligence and the ongoing research in the field – in which he is, himself, deeply involved.

Robots already exist with the brain power of insects, he says, and within five years they will have the brainpower of cats. Prof Warwick believes not enough thought has been given to the future of machine intelligence, partly because of the tendency to view robot development in terms of producing increasingly accurate copies of humans.

But robot bipeds, Prof Warwick points out, have not become reality as "home helps", contrary to science fiction and early predictions, and he believes they are unlikely to do so.

"Things like getting robots to walk, moving arms around in the way we do, are not easy to achieve. The stability problem with bipeds is horrendous," he says. Yet, put a robot on wheels and they have many advantages over humans.

In five years, robots will have the brainpower of cats

Similarly, he says, "there seems to be a school of thought in the artificial intelligence community which believes that we are trying to achieve a copy of the human brain, and we are never going to get there, so robots will never be all that intelligent.

"To me, this is a very strange logic. I come from another angle: machine intelligence is different, and because of that it has a lot of advantages. My own feeling is that our level of intelligence is pretty restricted to the head, which limits the size, and that in the future there is no reason why we couldn't have machines that are billions of times more intelligent than we are."

There are several worrying aspects to this scenario, says Prof Warwick. Just as, even now, Internet users would find it inconceivable that the network could be switched off even temporarily, so it may become impossible to switch machines off.

Machines would design, build and operate other machines – which to an extent happens already. It is possible, he says, that robots would develop, through a survival of the fittest process, a "will to survive".

The military implications are also worrying, he says. The small, tricycle-like robots built at Reading – known as the Seven Dwarfs – are designed to test ideas for intelligent robotic behaviour that could be used in the home – to help the disabled, for example – or to help industry become more profitable.

Yet even now, Prof Warwick warns, a not-so-nice group of researchers at another university or military base could build robot machines with similar "behaviours" and group characteristics, yet on a much bigger scale and with weaponry attached.

As the recent controversy over cloning sheep confirms, it is difficult, if not impossible, to stifle scientific curiosity. Yet there is more to worry about, Prof Warwick suggests, in the development of machine intelligence than in the theoretical possibilities opened up by Dolly the sheep.

In the final paragraphs of the book, Prof Warwick asks whether there should not at least be an international body monitoring and even controlling developments in machine intelligence, although speaking this week, he concedes its usefulness would depend on how much information it could gather.

**March of the Machines: Why the New Race of Robots will Rule the World, Century,* £16.99

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com. Translation may be available for letters written in the main international languages.

UK must demonstrate its commitment to Europe

From Sir Colin Marshall and others.

Sir, The election approaches and it is vital that everyone recognises the real issues facing Britain on Europe.

As business people operating not only in Europe but across the world, we have watched with dismay the spread of extreme Euroscepticism and of the mistaken belief that an arm's length and hostile attitude on Europe is now in the UK's best interests.

The reality is quite different. The UK is already part of Europe. Nearly 60 per cent of our visible trade is with members of the European Union and this continues to grow. Our direct investments in other member states now exceed our investments in the US.

More than 2,000 continental European companies have invested here, taking advantage of our growing competitive advantages in manufacturing. And our outstanding record in attracting non-EU inward investment is driven by our access to the single market.

The improvements in our economy, which are admired by our European friends, would not have been possible if we had stood outside the EU and the single market.

And the single market would not have been possible without the UK's committed political contribution, at the heart of Europe, during the 1980s.

These benefits would be put at risk if this country chose the path of isolation: Britain would be a poorer place, with lower investment and higher unemployment.

The UK must remain a full and committed member of the club. Of course we will want to argue for change, for an improved focus on the challenges which global competition raises.

But, we cannot expect our proposals and our criticisms to be taken seriously if we refuse to acknowledge the enormous benefits which we have already gained by being part of Europe.

We need to demonstrate that the UK's continued commitment to Europe is not in doubt. If we fail to do so, the UK's position at the Amsterdam Summit in June will be gravely weakened, and our interests in the outcome of the Inter-governmental Conference and the Single Market Action Programme, seriously compromised.

There are many important issues on which political arguments should focus. But on the fundamental issue of UK commitment to the single market, we should be united.

Sir Colin Marshall, president, Confederation of British Industry;
Sir Peter Bonfield, chief executive, BT;
Tony Bonner, group managing director, Contract Chemicals, chairman, CBI SME council;
Martin Broughton, group chief executive, BAT Industries;
Ross Buckland, chief executive, Unigate;
Sir Richard Evans, chief executive, British Aerospace;
Niall FitzGerald, chairman, Unilever;
Tony Greener, chairman, Guinness;
Sir Ronald Hampel, chairman, ICI;
Christopher Haskins, chairman, Northern Foods;
Sir Christopher Hogg, chairman, Reuters Holdings;
John Jennings, chairman, Shell Transport & Trading;
Jan Leschly, chief executive, SmithKline Beecham;
Sir Brian Moffat, chairman and chief executive, British Steel;
Sir Bryan Nicholson, chairman, BUPA;
Nick Reilly, chairman and managing director, Vauxhall Motors;
Sir David Simon, chairman, British Petroleum;
Peter Smith, chairman, Coopers & Lybrand;
Sir Colin Southgate, chairman, EMI Group;
Ian Strachan, chief executive, BTR;
Peter D. Sutherland, chairman, Goldman Sachs International;
Sir Clive Thompson, group chief executive, Rentokil Initial;
Derek Wanless, group chief executive, National Westminster Bank.

Time to hit late payers

From Ms Barbara Roche MP.

Sir, Tim Burt rightly says that the real late payment problem in the UK is that large businesses believe long payment schedules are simply a fact of business life. ("Battle over late payers", March 7).

The clear evidence is that small firms are prevented from growing, or worse still, go to the wall, because big firms and government departments treat them as a source of free credit.

The Labour party is determined to change this culture. A statutory right to interest on late payment of debt will give small firms another weapon, if they choose to use it, in the late payment battle. We will also require government departments and local authorities to set a good example by paying on time. We are talking to the Forum of Private Business, the Federation of Small Businesses and others about publishing league tables of the payment practices of large firms, so small businesses can make informed decisions about the companies they trade with.

In short, unlike the government, whose deputy prime minister boasts about "stringing along" his creditors, Labour is determined to take tough action on late payment. Britain's small firms deserve no less.

Barbara Roche, shadow small business minister, House of Commons, London SW1A 0AA, UK

Future returns are crucial element in debate on takeovers

From Mr William de Winton.

Sir, The debate on whether acquisitions are good or bad has moved, it seems, from whether they enhance earnings to whether they achieve a return above the cost of capital. This is surely right.

The question now is whether it is immediate returns which matter most or future returns. Lex's arguments here received some criticism (Letters, March 3) for adopting the former position. The writer argued: "If an investment returns 5 per cent in cash terms in the first year and is expected to grow by more than 5 per cent per annum, cost of capital requirements (10 per cent in Lex's example) will be satisfied."

But any analysis of an acquisition needs to balance the certainty of return today with the possibility or otherwise of return in the future. In the example above, as a simple model will show, it is not until year 100 that the investment equals its cost of capital; moreover, this is based on constant growth – an implausible scenario in itself.

Of course managements are quite justified, when making acquisitions, in claiming future benefits beyond the immediate horizon. Still, they should not be surprised when the stock market is sceptical of such claims. As many studies have repeatedly shown, acquisition-led companies tend, as a rule, to underperform the market.

William de Winton, deputy head of research, ABN-Amro Hoare Govett, 4 Broadgate, London EC2M 7LR, UK

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Menace fulfilled

William Packer reviews the art of the 1930s in Paris

We have long been in the habit of giving each arbitrary calendar decade a simple, unifying descriptive. And while we know the habit to be dangerously deceptive, few of us would quarrel with making an exception of the 1930s. From the Wall Street crash of 1929 to the outbreak of the second world war, Hitler's war, in 1939, there was a general sense of foreboding, real, palpable and acute. It was indeed a menacing time.

The Musée d'Art Moderne of Paris now takes up the theme with *Le temps menaçant*, a copious exhibition of the sculpture, photography and painting of the period. It is punctuated at intervals by old film and documentary material, and set out in sections under naturally portentous headings – the crisis; the violence of events; the menace declares itself; the rise of fascism; the Popular Front; the Spanish Civil war; Munich; the war.

But for all that it is not a documentary, but an exhibition of art, and of painting above all. And in a time when we are told that art must be about ideas, and painting incapable of bearing the conceptual weight of the issues of the age, to return again to such powerful, moving, albeit often ambiguous work, is nothing short of enthralling. It is a remarkable vindication of the power of painting as a living medium.

Quite to what degree the artists themselves were consciously aware of what they were saying is of course another question. The ambiguity at the heart of it, that leaves the viewer answerable to his own experience, reminds us that the true artist will always say more of the truth than he could ever know, let alone intend.

Many of the artists shown here are clearly squaring up to particular issues, even events, if in symbolic terms. The response to the war in Spain of Picasso and Dali, the early satires of Grosz and Dix, or the metaphorical tableaux of Radziwill or Willink, are obvious examples. And surrealism in general, from Ernst's monstrous "Angel of the Fireside" to Miró's more abstracted figures or Tanguy's amorphous blobs, is instinct with incipient, nameless horror. With Carl Hofer's "Cassandra", one cannot fail to get the drift.

But the remarkable thing is that in this context, even a run of nothing but self-portraits – Pyke Koch's shaven head; Hans Grundig in sombre chiaroscuro; an anxious de Chirico turning towards us from his easel – take on a decided air of impending doom. A dark Derain still-life; Bonnard's wife rosy and golden naked before the mirror; a solitary apple on a table by Giacometti, Balthus' *Lady Abdy against the light*; Gromaire's hunched fur-coated nude; some wonky Morandi bottles – all are suddenly now more sinister than ever we thought.

The great strength of the exhibition lies in its comprehensive international scope, which is not something we always expect of the French. Even British art is adequately represented, with Moore, Hepworth and Nicholson, Paul Nash and Stanley Spencer all given their due, and Edward Burra and Meredith Frampton surprisingly though rightly prominent. Coldstream and Gowing were unexpected, Wadsworth and Algernon Newton rather missed. It is all well set out, for the most part theme by theme in stimulating cross-reference, rather than by nationality.

Such internationalism finally explodes the myth of the School of Paris as the be-all and end-all of modernism before the war, and it is good that the French should have blown it up themselves.

More sinister than we ever thought before: Marcel Gromaire's hunched fur-coated nude, 1929

The truth is that Paris was a natural and important centre for artists of all kinds and all nations, and perhaps for a while pre-eminent, but as only one among many. Here, from the simple metaphysical figures of Malevich, so long kept hidden away in Russia, with which the show begins, through the abstract simplicities of Mondrian and van Doesburg, the allegories of Sironi and the realism of Pirandello, to Picasso, Magritte, Toorop, Willink, Grosz and Schlichter at the very end, the point is well made.

This is, in all its aspects, an important exhibition of the art of a peculiar and critical historic moment. The catalogue itself stands as a significant document, save in one important respect. The post-script to the show is, quite properly, the Italian work glorifying Mussolini, the realist propaganda of Stalin's Russia, and the sentimental realism that Hitler held up as counter to decadent modernism, celebrating the virtues of hard work, the simple life and the Aryan race. The catalogue has none of it.

But overall it is a remarkable achievement. And the final visual memory, a dying fall as it were resonating long in the mind's eye, is not of a painting at all, but of a row of plain portrait photographs by August Sander, each of an ordinary man or woman, and each carrying the identical title, "Persecuted Jew, Cologne, 1938". Menace fulfilled.

The Thirties in Europe – Menacing Times: Musée d'Art Moderne de la Ville de Paris, 11 avenue du Président-Wilson, Paris 16me, until May 25; sponsored by the Fondation Electricité de France.

Concert/Richard Fairman

Eloquent Bach

Suddenly the Barbican seems to have ambitions to be London's early music venue. Given the hall's ambience and size, it is not an obvious choice, but perhaps the policy is not as strange as it looks: there is an eager audience for early music and nowhere much else – except St. John's, Smith Square – for them to go.

The latest group to visit was the Amsterdam Baroque Choir and Orchestra, conducted by Ton Koopman, on Sunday. The celebrity of the group and its founder was enough to ensure a healthy attendance. Although he has strayed into the 19th-century repertoire, Koopman remains primarily a specialist in Baroque and Classical music: his Mozart Requiem a few years ago stirred a typical controversy and his new big project to record all the Bach cantatas is similarly dividing opinion.

There was nothing controversial at the Barbican, however. Koopman brought Bach's *B Minor Mass* and gave it a performance marked by sensible speeds and undeniable musicianship. This is a work in which many "authentic" conductors have a theory to propound: Rifkin plays it one-to-a-part, Leonhardt looks to its dance rhythms, Gardiner turns it into public celebration. But Koopman was content to be middle-of-the-road – according to the latest period style, at least.

The main source of pleasure came in the playing from the orchestra. Detail had been rehearsed to a nicety and solo contributions, played standing, were exemplary: the flute made an eloquent trio out of the "Domine Deus" alongside the pure-voiced soprano Ruth Ziesak and tenor Paul Agnew; there was a confident horn solo in the perilous "Quoniam tu solus sanctus" with the baritone, Peter Savidge; and the lead violin managed to sound calm and graceful in the usually garbled "Laudamus te" for Bogna Bartosz, an alto with more than "period" colours in her voice.

The Amsterdam Baroque Choir is a younger institution, founded in 1992, and as yet less impressive than its orchestral counterpart. The top British early music choirs have set standards which make one less tolerant of hooty counter-tenors or reedy tenors, however well-prepared Koopman's singers were (their "Osanna" went with an admirably light spring in its step). Did the performance as a whole lack definition? Maybe, but the Barbican acoustic tends to muffle "authentic" performances.

Theatre/Ian Shuttleworth

Victims of tyranny

Ariel Dorfman's *Widows* began its life as a poem in 1976; then it became a novel, then several unsatisfactory drafts of the current play passed before it was suggested that Dorfman collaborate with Tony Kushner (who had yet to write *Angels in America*). The version which finally premiered at the Cambridge Arts Theatre last week under the direction of Ian Brown has been augmented by Dorfman with the presence of a narrator-figure who comments not so much upon the events themselves as upon his status as their "writer".

This awkward addition suggests that Dorfman continues to be vexed by the obligation he feels to commemorate the atrocities committed in his native Chile, the suffering and uncertainty of the womenfolk of the "disappeared". *Widows* attempts to go further than his *Death and the Maiden*; like that play, it deals with real people in a real climate of political repression, torture and murder, but it also contains elements of magical realism – as the river near a small mountain village becomes a grim "benefactor" by offering up to the black-clad women a series of unidentifiable bodies to be claimed as their male relatives – and of the mythical nature of Greek tragedy, as the women form a collective entity, investing one of the bodies with a mystical significance whereby it represents all of their lost men.

In some respects the most direct representative of humanity is Sean Scanlan's reformist captain, who begins by believing he can square the circle of tyranny and benevolence, until the resistance of the women and the constant temptations of his icily committed lieutenant (Michael Nardone) lead him to succumb to the horrible possibilities of arbitrary power.

The women are inspired rather than led by old Sofia Fuentes (Edith Macarthur), as she stubbornly, silently waits by the river for her father, husband and sons. First the river, then the women are drawn into this world by a common grief – the need either to have their men returned alive, or be allowed to mourn them properly and have their murderers given up. In Brown's production and Mark Leese's shimmering design, the river itself becomes a player, hymned by the women in a fine choric threnody.

Widows is first and foremost a monument, an artefact to be contemplated and admired rather than transported by. Dorfman seems to have felt compelled to cover as many angles as possible, including (in the person of the narrator) his own discomfort at such a compulsion. Whilst some of these strains – the shadowy presence of powerful local families, the "sleeping with the enemy" trope – are imperfectly formed, his main themes ring dolefully, powerfully clear.

Oxford Playhouse until March 15 (01865-798600), then Newcastle Playhouse and *Edinburgh Traverse*. Sponsored by Barclay Stage Partners.

Theatre/Alastair Macaulay

Private roles for public viewing

It is fair to say that Maureen Lipman has more talent and more range than she knows what to do with. She is a columnist, a caricaturist, a singer, an actress, a clown, a raconteuse, a celebrity; and perhaps the most glorious but underemployed string to her bow is her uncanny physical skill (she can be graceful *and* clumsy, dextrous *and* uncoordinated, at the same time).

All of these are on display in her new one-woman show, *Live and Kidding*. Nothing in it is poor, and a happy gurgle soon arises from the audience that seldom vanishes for more than a few seconds at a time. There are some classic new jokes (the leprechaun and the golfer; the child's first day at school), and some highlights from Lipman's own career ("A Hundred Ways to Lose a Man" from *Wonderful Town*, "On the Train" from *Re:Joyce*, some Beattie-related sketches).

Still, there is a hectic, anxious-party-hostess quality to her performance. She takes you right round the vast and impressive façades of who she is and what she does without letting you through a door. Even when she chats – funnily, shrewdly, touchingly – about being a daughter, wife, mother, you know that she has long polished these private roles before bringing them out for public view.

It is a slight pity that, in much of *Live and Kidding*, she is working in the guise least congenial to her: that of stand-up comic. True, her material is good. "What's the definition of a Jewish nymphomaniac?" "A woman who'll make love on the day she's had her hair done."

But stand-up comedy is an art as exhausting for the audience as for the performer unless, behind the barrage of jokes, the performer herself or himself becomes funny in essence, becomes a hilarious enchantment. Lipman is more accomplished than Eddie Izzard or (even) Dame Edna; but, unlike them, she rests all her entertainment on what she does, not who she is.

A greater pity is that Lipman now needs to keep telling us of her fame *and* to present herself as one of us at the same time. At certain points, she juggles these contradictions to perfection. Who could not cherish her disaster story of lunch at Buckingham Palace, climaxing in the potato she launches "in a perfect trajectory onto an Aubusson carpet handstitched by 700 sightless Sisters of Mercy"? Or of her five-year-old son's Italian accent ("we didn't question it") as applied in person to Barbra Streisand?

Yet, between these well-honed items of mirth, there occur tell-tale lines such as "You know, journalists are always ringing you up and asking you intimate questions, aren't they." Are they? *You* tell *us*, Maureen. *We* wouldn't know. Such moments let us know that Maureen's claim to be one of us is mere sham. And her self-advertising first song ("I've done Ayckbourn, Shakespeare, and Shaw . . .") is a bore.

You soon long for a little contemplativeness: which arrives at the start of Part Two, in "On the Train", a Grenfell sketch that is all character and social observation and (mercifully) no jokes. Throughout this second part, wearing an outfit altogether more becoming to her elegant and eloquent figure than the "coral reef" Part One ensemble, she is more at ease; and the "segues" between joke and joke are without awkwardness.

Live and Kidding is non-stop entertainment, and Lipman's armoury is awesome. Still, only at moments do the most original facets of her skill gleam through. (Just *watch* her tango while singing, for example.) Lipman seems keen to be acclaimed as a consummate conventional entertainer; and she is. Her unconventional sides – which reveal a nerve, a whackiness, a mischievous imagination of a most unusual order, and which are her finest features – she seems anxious to keep in check.

Duchess Theatre, WC2.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Gidon Kremer, Veronika Hagen, Clemens Hagen and Alois Posch: the violinist, viola-player, cellist and double bass-player perform works by Schubert and Schnittke; Mar 13

■ ANTWERP

CONCERT
De Vlaamse Opera Tel: 32-3-2336808
● Sylvia Haijen: *performance* by the soprano, accompanied by pianist Erik Pirotte. The programme includes works by Massenet, Gounod, Charpentier, Bizet, Lalo and Saint-Saëns; Mar 12.

EXHIBITION
MUHKA - Museum van Hedendaagse Kunst Antwerpen Tel: 32-3-2385960
● Raoul de Keyser: exhibition examining the post-war works of this Belgian abstract painter; to Mar 30

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● *Rundfunk-Sinfonieorchester Berlin*: with conductor Arturo Tamayo and the Slagwerkgroep Den Haag perform works by Boulez, Rojko and Katzer. Part of the 16th Musik-Biennale Berlin; Mar 12
Philharmonie Berlin - Grosser Saal & Kammermusiksaal Tel: 49-30-2614383
● *Staatskapelle Berlin*: with conductor Simone Young, tenor Johan Bohta and baritone Falk Struckmann *perform works by* Verdi; Mar 12

DANCE
Staatsoper Unter den Linden Tel: 49-30-20354438
● *Staatsopernballett*: perform Béjart's choreographies "Bhakti" to traditional Indian music and "Der Wunderbare Mandarin" to music by Bartók; Mar 13, 15

THEATRE
Berliner Ensemble Tel: 49-30-28408
● Der Aufhaltsame Aufstieg des Arturo Ui: by Brecht. Directed by Müller and performed by the Berliner Ensemble. The cast includes Beyer, Bonn and Broich; Mar 12

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Jaj Maman, Bruderherz: by Kálmán. Conducted by Peter Falk and performed by the Rundfunkorchester. Soloists include sopranos Melanie Holliday and Dagmar Schellenberger and tenor Alexandru Badea; Mar 14

EXHIBITION
Schirn Kunsthalle Tel: 49-69-2998820
● Gaston Chaissac - Retrospektive: exhibition of work by the French artist who worked in a self-imposed isolation, producing colourful child-like images and abstract works that defied easy categorisation. Later works saw a *withdrawal from* conventional methods as Chaissac began to paint on a *wide variety of materials including* cattle bones, vegetable peelings, scraps of wallpaper and cigarette boxes; to Apr 6

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Mozart Festival Orchestra: with conductor Ian Watson, violinist Anthony Marwood, soprano Anne Dawson and trumpetist Crispian Steel-Perkins perform works by Mozart, Bach, Stanley and Händel; Mar 14
Royal Festival Hall Tel: 44-171-9604242
● *BBC Symphony Orchestra*: with conductor Andrew Davis and violinist Kyoko Takezawa perform *works by Stravinsky*; Mar 13

EXHIBITION
National Portrait Gallery Tel: 44-171-3060055
● Ignatius Sancho (1729-1780): exhibition examining the remarkable life of Sancho, who was born a slave yet died a well-known and respected figure in London's literary, artistic and musical circles. The exhibition also places Sancho within the wider context of the black prescence; to May 11
Royal Academy of Arts Tel: 44-171-4397438
● Denys Lasdun: exhibition taking the form of a critical review of Denys Lasdun's distinctive contribution to the Modern Movement in British architecture. *Examples from throughout* Lasduns career are featured and the exhibition aims to present architecture to a wider public in an innovative and dramatic way; to Mar 16

■ MIAMI

EXHIBITION
Art Museum Tel: 1-305-348-2890
● The PaineWebber Collection of Contemporary Masters: display selected from the PaineWebber Art Collection, assembled over the past 25 years. The exhibition features works from the New York School of the late 1940s, the 'new mood' of the late 1950s and contemporary works. Artists with work represented include de Kooning, Bourgeois, Warhol, *Rauschenberg, Johns, Twombly* and Baldessari; from Mar 13 to Apr 25

■ NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● De Kooning in the Eighties: the paintings made during the 1980s *by American artist Willem de* Kooning constitute a largely unknown chapter in his career. With the exception of a relatively small number of works shown in museums and galleries during the past decade, few of the paintings of the artist's final creative years have been seen by the general or even specialised art public. This *exhibition contains about 40* paintings made between 1981 and 1987 chosen from public and *private collections, selected from* more than 300 canvases de Kooning completed during the 1980s; to Apr 29

OPERA
New York State Theater Tel: 1-212-875-5570
● Carmen: by Bizet. Conducted by Guido Agmone-Marman, performed by the New York City Opera; Mar 13

■ PARIS

CONCERT
Salle Gaveau Tel: 33-1 49 53 05 07
● Kandinsky Quartet: perform *works by Mozart, Donatoni and* Dvorák; Mar 13
Théâtre du Châtelet Tel: 33-1 42 33 00 00
● Ensemble Intercontemporain: with conductor Markus Stenz, violinist Hae Sun Kang, soprano Rosemary Hardy, flutists Sophie Cherrier and Emmanuelle Ophèle and pianist Hidéki Nagano perform works by Benjamin, Dusapin and Kurtág; Mar 12

EXHIBITION
Musée du Louvre *Tel: 33-1 40 20 50 50*
● L'Astronome et Le Géographe de Vermeer, réunis: display marking the reunification of two works by Vermeer for the first time in two centuries: "De Astronoom" and "De Geograaf", the latter piece being sent to Paris on loan by the Städel *Museum, Frankfurt; to Mar 16*

■ VIENNA

JAZZ & BLUES
Konzerthaus Tel: 43-1-7121211
● Lincoln Centre Jazz Orchestra: conducted by Wynton Marsalis, with soloists Cassandra Wilson and Jon Hendricks, perform Marsalis' "Blood on the Fields"; Mar 13

■ WASHINGTON

OPERA
Opera House Tel: 1-202-416-4600
● La Traviata: by Verdi. *Conducted by Karl Sollak,* performed by The Washington Opera. Soloists include soprano *Ainhoa Arteta, tenor Greg* Fedderly and baritone Christopher Robertson; Mar 13

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Financial Times Business Tonight

FINANCIAL TIMES
Tuesday March 11 1997

007 loses his licence to shoot in Vietnam

By Jeremy Grant in Hanoi and Alice Rawsthorn in London

James Bond has finally met his match: the Vietnamese authorities.

Makers of *Tomorrow Never Dies*, the 18th Bond film, are smarting after Hanoi government officials unexpectedly pulled the plug on production weeks before the cameras were due to roll.

Plans for the picture, a high-tech thriller about a megalomaniac media mogul's attempt to trigger World War III in a bid to boost television ratings, were well advanced after Vietnam's cultural watchdogs approved it last month.

But Eon Productions, which together with MGM/UA, the Hollywood movie studio, jointly owns the copyright on Bond movies, has been told by the communist-run country's secretive interior ministry that permission has been revoked. The ministry says previous films portray Bond as an anti-communist hero.

Mr Gordon Arnell, Eon's marketing director, expressed surprise at the decision. "It's never happened in my experience and never in a Bond film. But every country has its laws. I think you could say we're stirred, but not shaken."

Yesterday, an official at the culture ministry would only say that "the technical conditions of Vietnam's film industry did not match the expectations of foreign international film companies".

A 150-strong team of technicians had been primed to land in Ho Chi Minh City to prepare sets. Eon had even booked more than a hundred $100-a-night rooms at a local four-star Hotel.

The film's star Mr Pierce Brosnan was due in Vietnam in May to begin work on *Tomorrow Never Dies*, his second sortie as 007 following *GoldenEye*, the 1995 movie which revitalised the Bond franchise by taking more than $350m.

However, the Hanoi ban has forced Eon to shift production to Thailand where *The Man With The Golden Gun*, the 1974 Bond film, was shot.

Eon and MGM yesterday announced the title of *Tomorrow Never Dies*, and the cast, including Dame Judi Dench as spy boss 'M' and Evita star Jonathan Pryce as the villainous media mogul.

They are finalising negotiations for product placement, including which car 007 will drive, and plan to start principal photography in the UK on April 1.

Tomorrow Never Dies will hit US cinema screens at Christmas, before moving on to the rest of the world – but not, of course, to Vietnam.

Observer, Page 13

Philippine SE head quits amid probes controversy

By Justin Marozzi in Manila

The president of the Philippine Stock Exchange has resigned amid controversy over the suspension of a number of insider dealing investigations and reports of clashes with senior managers.

The departure of Mr Vitaliano Nanagas, after only five months in the job, follows the resignations last week of key officials including the head of the compliance and surveillance department responsible for uncovering insider dealing, and the heads of information technology, listing and finance, and corporate development. The heads of listing and finance and corporate development have returned following Mr Nanagas's resignation.

Mr Wilson Sy, chairman of the PSE, said Mr Nanagas had alienated staff with the forcefulness of his approach.

"He came in too strong and wanted his way too fast too soon," said Mr Sy. "I kept telling him to slow down but his approach was, 'I'm leading you to a world-class organisation and if you're not all up to par you can resign'. All the staff would have resigned en masse if he had stayed.

"It was a choice between him and the exchange."

However, some observers saw the ebullient Mr Nanagas as an effective catalyst in reforming the wild west culture of the exchange.

His appointment followed the granting in December by the Securities and Exchange Commission (SEC), the market watchdog, of temporary self-regulatory status to the exchange. The SEC was reviewing whether that status could become permanent.

In January a central depository system was opened, paving the way for increased investments from foreign institutions. The market hit an all-time high of 3,447.6 at the beginning of February.

But controversy followed over the first test of self-regulation. Mr Perfecto Yasay, chairman of the SEC, said the exchange had fined two local broking houses for serious violations of laws and regulations in 1995 and 1996 but had not told the SEC until last month.

More seriously, the exchange had halted investigations of between seven and 10 brokerages for alleged insider dealing and price manipulation without informing the SEC.

Many brokers regard self-regulation as an alien concept. Observers blame the problems on the culture of cosy clubbiness which pervades the exchange and which has proved resistant to reform.

Mr Yasay said he would almost certainly refuse to extend the exchange's self-regulatory status.

Nomura clients suspend placement of orders

By Jonathan Annells in Tokyo

Several large clients of Nomura Securities yesterday suspended the placement of new orders following the admission last week by Japan's biggest securities company that it had made "apparently irregular" payments of at least Y70m ($578,000) to a corporate client.

The suspension will hold until the country's Securities and Exchange Surveillance Commission decides whether Nomura should be punished. It is not clear when that decision will be made.

The clients, all investment fund management companies, include Nomura Investment Management, Nomura's own affiliate, Sakura Asset Management, Tokyo-Mitsubishi Asset Management, IBJ NW Asset Management, Daiwa International Capital Management and Nikko International Capital Management. Japan's big life assurers are expected to follow shortly.

Nomura and the investment management companies would not comment on the value of orders involved.

Meanwhile, the two managing directors implicated in the affair resigned yesterday. The payments were to a client widely believed to have ties to a *sokaiya*, a corporate extortionist who extracts bribes in return for not asking embarrassing questions at shareholders' meetings.

Nomura said it had accepted with immediate effect the resignations of Mr Shinpei Matsuki, managing director in charge of equity trading, and Mr Nobutaka Fujikura, his counterpart with responsibility for general affairs.

Nomura said the two executives would be reassigned within the company on a temporary basis in order to co-operate with the SESC investigation.

Nomura could not confirm Japanese press reports that the California Public Employee Retirement System (Calpers) was reviewing its relations with Nomura group companies. Calpers, the largest US pension fund, has an equity stake in Nomura Securities and has put $724m of its $100bn assets under the management of NIM's US unit.

The news of the client action further depressed Nomura's share price. It closed Y60 down on the day, just off a 12-month low, at Y1,470.

● Nomura Securities' chairman, Mr Masashi Suzuki, said he would resign as chairman of the Japan Securities Dealers Association to take responsibility for the *sokaiya* compensation scandal. His one-year term was due to expire in July.

Albanian revolt

Continued from Page 1

people joined the spreading rebellion in Kucove, about 60kms south of Tirana, on Sunday evening, looting arms from a military airbase and breaking into a state bank, a police official said. Eight people were wounded by accidental gunfire.

In nearby Berat, teenagers seized weapons from a military depot and one man was killed by mistake. Children carried or dragged Kalashnikov rifles in the streets. "There are no police anywhere," a city official said.

Newmont wins Santa Fe battle

Continued from Page 1

Group. "The only question is whether Newmont is paying too much. It probably isn't, but it is a marginal call." Annual savings from the merger could total $70m to $80m, Mr Cambre said. Tax benefits would be $8m to $12m. Newmont put the annual savings at $50m when it made its first, unsolicited offer for Santa Fe.

Mr Cambre said the merged group next year would have cash operating costs of about $210 an ounce of gold produced.

Analysts said the merger would add 3 to 4 per cent to Newmont's 1998 cashflow and 11 per cent to earnings. Newmont would maintain its present high credit rating.

Newmont's banking, legal and other costs from the merger are expected to total $110m-$120m, including the $65m paid to Homestake.

Santa Fe said it decided in favour of Newmont because its proposals offered "a superior exchange ratio and a compelling fit, substantial and improved synergies and significant long-range potential for our shareholders".

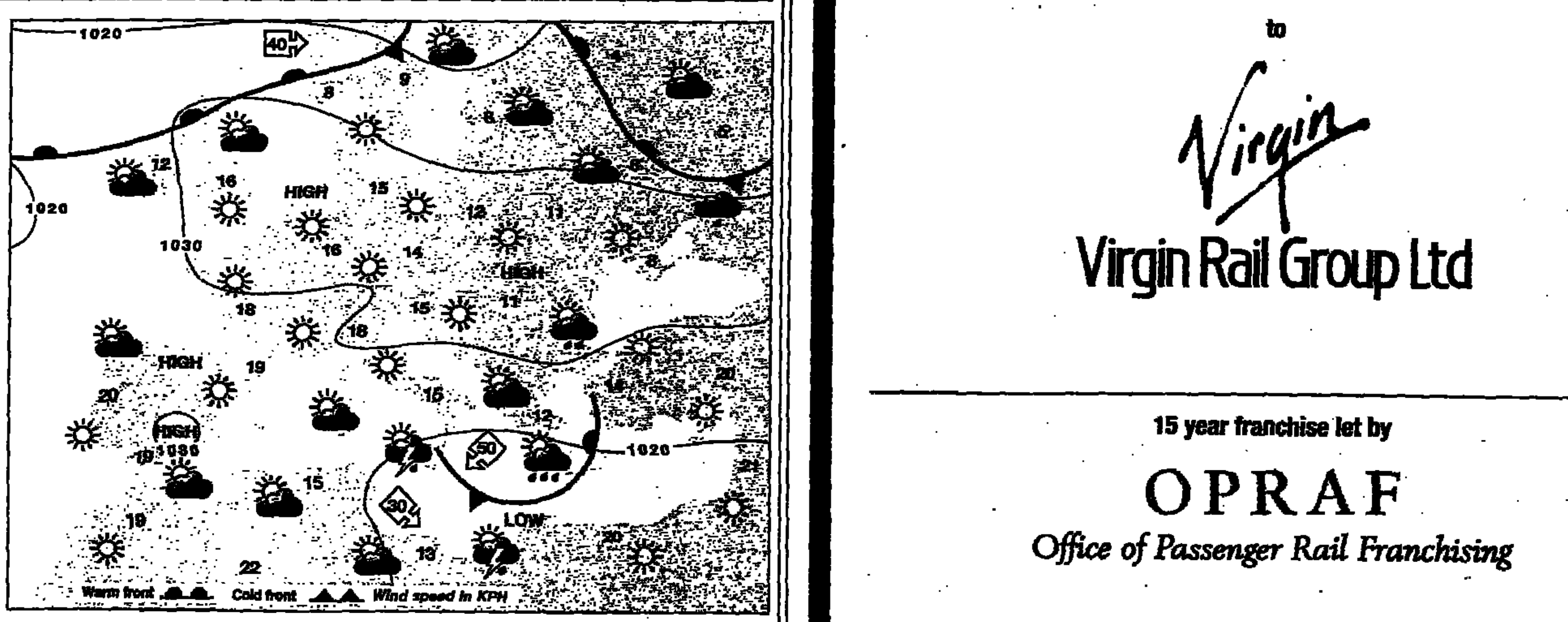
FT WEATHER GUIDE

Europe today

Ireland and Scotland will be partly cloudy. England will be dry and sunny. Southern Scandinavia will also be sunny except for coastal regions of Norway where it will be cloudy. Most other parts of Europe will have plenty of sunshine but southern Italy and Greece will be wet and windy with thunderstorms near Sicily. Turkey will stay dry and sunny.

Five-day forecast

The British Isles, the Benelux, northern France, Germany and eastern Europe will be partly cloudy with some showers. The northern Alps will have light snow on Thursday and Friday. The central and western Mediterranean will stay dry and generally sunny. Southern Italy and Greece will have more showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius											
Abu Dhabi	fair 27	Beijing	fair 13	Caracas	cloudy 28	Faro	sun 19	Madrid	sun 18	Rangoon	fair 36
Accra	fair 31	Belfast	fair 11	Cardiff	sun 14	Frankfurt	sun 17	Majorca	sun 18	Reykjavik	snow 0
Algiers	fair 17	Belgrade	fair 11	Casablanca	fair 20	Geneva	sun 15	Malta	thund 13	Rio	fair 27
Amsterdam	sun 13	Berlin	sun 15	Chicago	sun 7	Gibraltar	fair 17	Manchester	sun 16	Rome	fair 15
Athens	rain 12	Bermuda	fair 22	Cologne	sun 16	Glasgow	fair 11	Manila	fair 33	S. Frsco	fair 16
Atlanta	fair 23	Bogota	cloudy 19	Dakar	fair 27	Hamburg	sun 12	Melbourne	fair 24	Seoul	sun 14
B. Aires	fair 25	Bombay	fair 34	Dallas	fair 24	Helsinki	fair 7	Mexico City	fair 27	Singapore	shower 32
B.ham	sun 16	Brussels	sun 15	Delhi	fair 30	Hong Kong	fair 27	Miami	fair 26	Stockholm	sun 9
Bangkok	fair 36	Budapest	sun 13	Dubai	cloudy 29	Honolulu	fair 28	Milan	sun 17	Strasbourg	sun 16
Barcelona	sun 17	C.hagen	sun 8	Dublin	fair 12	Istanbul	sun 12	Montreal	fair -1	Sydney	fair 24
		Cairo	sun 21	Dubrovnik	fair 10	Jakarta	fair 32	Moscow	drzzl 7	Tangier	fair 19
		Cape Town	fair 22	Edinburgh	fair 12	Jersey	sun 13	Munich	sun 16	Tel Aviv	fair 21
						Karachi	fair 33	Nairobi	fair 30	Tokyo	sun 14
						Kuwait	fair 18	Naples	fair 12	Toronto	fair 2
						L. Angeles	sun 19	Nassau	fair 26	Vancouver	shower 8
						Las Palmas	fair 24	New York	fair 8	Venice	sun 16
						Lima	cloudy 27	Nice	sun 18	Vienna	sun 15
						Lisbon	sun 20	Nicosia	sun 18	Warsaw	sun 14
						London	sun 16	Oslo	fair 8	Washington	fair 12
						Lux.bourg	sun 15	Paris	sun 17	Wellington	fair 16
						Lyon	sun 18	Perth	fair 24	Winnipeg	fair -4
						Madeira	fair 20	Prague	sun 14	Zurich	sun 14

THE LEX COLUMN

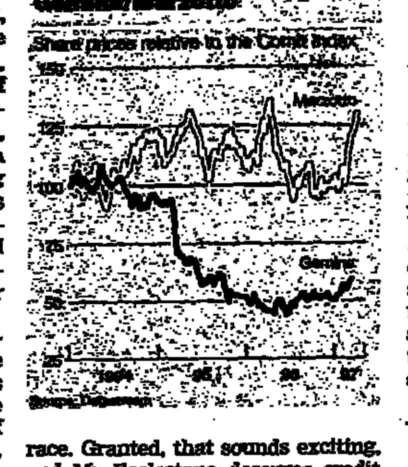
Fashion sense

There is something afoot in the *salotto buono*, the so-called good drawing room of Italian business which includes the likes of Fiat, Pirelli and Mediobanca. From the team that gave us Super-Gemina, the thankfully abortive merger of badly-managed Gemina and poorly-structured Ferruzzi Finanziaria, there comes a Gemina deal with a thread of industrial logic. Merging Marzotto with HPI, Gemina's recently demerged industrial holding company, creates a textiles and branded clothing business with substantial market clout and scope for significant cost reduction.

Management could create substantial value. It can rationalise the two main textiles units, and it has L600bn of net cash to build up the core businesses. If it sells off Gemina's unrelated investments, ranging from paper and publishing to stakes in *salotto buono* businesses, it could emerge as a focused clothing business with a rating to match. At present, it is valued as a questionable investment holding company.

The risk, *of course*, is that management could have a different agenda. The new chief executive, Mr Maurizio Romiti, is the son of Fiat's chairman and an architect of the ill-conceived Super-Gemina proposals. The worry is that he may be more interested in using Marzotto to expand the *salotto's* influence than in enhancing shareholder value. If so, the stock market should apply the same holding-company discount to Marzotto as it previously did to Gemina.

FTSE Eurotrack 200: 2242.6 (+13.5)



Formula One

Distance yourself from the roaring engines and the screaming fans, and it is hard to see why Formula One should be worth $4bn in a stock market flotation. The main asset of the business appears to be the brand name of Formula One and the influence of its founder, Mr Bernie Ecclestone. On one side, Mr Ecclestone's empire charges race teams and tracks fat fees for allowing them to take part in races. On the other side, it charges television networks in 130 countries for the rights to broadcast the footage, with contracts running from five to 25 years. On top of that come merchandising rights – apparently underexploited – and opportunities in digital TV. Mr Ecclestone has invested £40m in equipment which will allow pay-per-view audiences to hop between cameras to watch the race. Granted, that sounds exciting, and Mr Ecclestone deserves credit for transforming Formula One racing from a nerd's niche to a sport claiming the largest TV audience in the world. But there are concerns too. Formula One is highly profitable currently, but once its results are public, teams, tracks and TV companies will all argue for a bigger slice. Already three of the 10 race teams have refused to sign the latest TV deal. Moreover, take-up of pay-per-view TV has so far proved disappointing. When someone as shrewd as Mr Ecclestone sees an opportunity to cash in a part of his stake, other investors should think twice about buying in.

BT/MCI

One of the curiosities about British Telecommunications' planned merger with MCI is the arbitrage gap that emerged between the two companies' share prices. In mid-November, anybody wanting to invest in the soon-to-be-formed Concert could have saved 17 per cent by buying MCI stock instead of BT's. How could this discrepancy last, given the easy profits to be made by shorting BT and buying MCI? The answer is that it has not. By the end of last year, the gap had shrunk to 12 per cent. It has continued to erode further and now stands at about 7 per cent.

This shrinkage may not have been apparent to ordinary investors. After all, BT's shares have outperformed the UK market this year, while MCI's have merely tracked the US. However, over the same period, sterling has slipped against the dollar and London has underperformed Wall Street a touch. So while BT's ordinary shares have moved ahead, its ADRs in the US have so far this year underperformed Wall Street by 7 per cent.

With the arbitrage gap now only 7 per cent, MCI is clearly not as attractive a route into Concert as it once was. But it still makes sense for BT investors to sell their shares and buy MCI's. If they do not, professional arbs will probably do the job for them. The gap will vanish if the Concert merger is finalised. Assuming a September completion date, that equates to average shrinkage of over 1 per cent a month. In the circumstances, BT shares will struggle to maintain their momentum but MCI's will still enjoy a fair wind.

Wassall

In the face of committed investo opposition to conglomerates, th UK's diversified industrial group are struggling to recreate them selves. Some, like Williams an BTR, have discovered focus. Other like Hanson, have broken them selves out of the sector. And yeste day, Wassall redefined itself as large-scale venture capitalist. I reckons there is a role for dea driven companies. But it argue that the conglomerate must crysta ise the profit from deals and avoi becoming so large that the deal have to become larger still.

If General Cable is anything to g by, Wassall has a profitable raiso d'être. General Cable was bought i May 1994 and, at the middle of it flotation's indicative price rang Wassall would get an internal ra of return of 52 per cent from th investment. Moreover, shareholde will get back the £150m of equit capital they put in, leaving Wassa with enough cash to invest mo than £300m before it has to retur to shareholders. And after Gener Cable, they would hardly complai The only problem is that having g off the treadmill of having to d bigger and bigger deals, Wassall now on the treadmill of success its shares are already predictin another profitable acquisition.

Wassall may have put even mo pressure on the UK's last unreco structed conglomerate, Tomkins, t change. Selling on successful acqu sitions and handing the cash bac to shareholders would do far mo for Tomkins' shareholders than has for Wassall's.

See additional Lex comment on U long-term care, Page 2

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Tuesday March 11 1997

India's budget rope trick

Bombay's stock market took a breather yesterday, but its 107-point fall still left the index 8 per cent above the level it reached before the budget 10 days ago. A pause for reflection is desirable. The budget introduced some dramatic tax and tariff cuts, but Mr P. Chidambaram, finance minister, cleverly glossed over the most difficult reforms.

If it were so easy to bring India's fiscal deficit down to 4.5 per cent of gross domestic product by cutting taxes, widening the tax net and allowing economic growth to bolster revenues, then Mr Manmohan Singh, Mr Chidambaram's illustrious predecessor, would have tried that long ago.

The assumption that lower rates boost tax revenues as evasion is eliminated is a dangerous one. The tactic has been tried elsewhere, most notably in President Reagan's America where it actually produced a higher budget deficit.

Mr Chidambaram's estimates are not entirely based on wishful thinking, however. Overall tax revenues are expected to grow more slowly in 1997-98 than in the current fiscal year, during which corporate tax payments have still risen 17 per cent despite a sluggish economy. But his scheme relies on buoyant growth and a fourth year of favourable monsoon keeping agricultural output up.

Tax reform of the type introduced in this budget is also textbook stuff, given India's low tax base. It cannot have been entirely easy for a left-wing coalition, not least because it also involved steep cuts in tariffs. Indian industry may mourn the loss of protection, but the economy can never achieve East Asian rates of growth while its tariff levels remain so much higher.

That said, the budget was also striking for what it failed to tackle. Progress on liberalisation of insurance was minimal; deregulation of oil prices has been left for another day. Mr Chidambaram also confirmed the coalition's predilection for fertiliser subsidies, though these may be needed to render palatable the agricultural reforms already in train.

Mr Chidambaram's figures could still unravel if revenues falter and inflation takes off, pushing up public sector pay. Deferral of pay increases is one reason why the current year's deficit is set, surprisingly, to hit the target of 5 per cent.

With luck, he will have given the economy the psychological boost needed to accelerate growth again. The virtuous circle is working in that a higher stock market will mean more proceeds from the current sale of the VSNL telecommunications company. But it is no substitute for fundamental reform.

Euro-troubles

Almost a quarter of a century after a Conservative government took Britain into the European Economic Community, senior industrialists are warning the country to stop looking for the exit. Why?

The letter from a group of prominent British industrialists, published opposite, seems on the face of it, to be directed at a ragged army of disappointed politicians, demagogues and sentimental patriots.

For example, Sir George Gardiner, the MP for Reigate, was sacked by his local Tory party before joining the anti-EU Referendum Party. Mr John Redwood, self-styled leader of the Tory Eurosceptics, decisively failed in his bid for the party leadership – although even he says he does not wish to take Britain out of the EU. Many of those who march with him make less sense the more they talk, show little understanding of Britain's economic interests and sometimes seem imprisoned in the ideology of past wars. So why should so many illustrious names join in a counter-attack?

The reason, no doubt, is that, in varying degrees, Euroscepticism has become an increasing force in British politics, erupting from a vague sense that the British are different from French and Germans, do not want closer political ties with them and might perhaps be better off with none at all.

Even so, there is no chance that Britain will elect a government which wants to take the country out of Europe. Mr John Major, the prime minister, is strongly in favour of Britain's membership of the EU, despite anxieties about the direction in which the union is heading. Like Mr Tony Blair, Mr Major, left to himself, would probably take the UK into the European monetary union eventually, if only as a lesser evil than staying out indefinitely.

Yet big companies are right to emphasise the benefits of partnership and the importance to Britain of trade with the EU. Against these, the disadvantages are relatively small. The Common Agricultural Policy, anathema to Eurosceptics, may cost the UK about 1 per cent of gross domestic product. This is too much, but on the other hand exports to the EU are about 14 per cent of GDP and growing.

No doubt there is much in the EU, including the CAP, which demands reform; yet the removal of non-tariff barriers since 1992 was a large if uncompleted achievement. It is in such terms that the debate about Britain and Europe's future needs to be conducted, not in the narrow and obsolete vernacular of "them and us".

It is therefore important that in the election campaign both parties (more particularly the Tories) should stand firm against popular jingoism. Having no sensible object, it can do the country no possible good.

A slim CFTC

When a bipartisan group of senators proposes wide-ranging measures to deregulate the US commodities and futures markets, controversy is inevitable. The collapse of Barings and Sumitomo Corporation's losses in the copper market are both fresh in the public memory. The Commodity Futures Trading Commission (CFTC) risks losing substantial powers. Yet the senators' basic aim, which is to lift regulatory restraints on professional trading in commodity and derivatives markets, is entirely sensible.

The CFTC's governing legislation, the Commodity Exchange Act, was framed in the 1970s. Since then, there has been explosive growth in financial derivatives. All markets have become more global. Commodity and futures exchanges across the world are thus competing with each other for business to a degree undreamed of three decades ago. So the cost of submitting professional traders to the same regulations as are required to protect retail investors has increased disproportionately. More business is being driven offshore.

With all exchanges the question for public policy is to establish where precisely the interests of the trading fraternity conflict with the public interest. On that score there is general agreement that retail investors need protection. But there is no case for protecting market professionals who are capable of looking after themselves.

Most of the big exchanges already operate capital requirements and impose conduct of business rules such as requirements to segregate client money. Striking a balance between the need for rules that provide professional investors with reassurance and the need for flexibility is something on which those professional investors can anyway express a preference by choosing the exchange on which they deal.

Moreover, the principle of distinguishing between retail and wholesale business has already been accepted in relation to over-the-counter derivatives business, which is exempt from CFTC oversight.

Derivatives do, of course, raise questions of systemic risk in banking. But these are primarily matters for bank supervisors, and for watchdogs of the Securities and Exchange Commission and the accounting authorities, not the CFTC.

More difficult, in the light of the Sumitomo debacle, is the issue of market manipulation. There are grounds for questioning whether US, and more particularly, UK legislation, provide adequate sanctions. Yet prevention, in the shape of transparent reporting of large trades, is surely more effective than legal penalties.

Freedom to go a little crazy

A shortage of landing slots means deregulation of Europe's skies is unlikely to increase competition quickly, says Michael Skapinker

"Maybe it's sex appeal, but there's something about an airplane that drives investors crazy," Mr Alfred Kahn, architect of US airline deregulation, once observed.

"That's the notion behind regulation. You can't leave it to the free market because it will do crazy things. But that's the purpose of the free market – to let people do crazy things."

As chairman of the US Civil Aeronautics Board, Mr Kahn should know. He began lifting restrictions on US airlines in 1978, beginning a process which drove down fares, spawned low-cost competitors such as Southwest Airlines and saw industry pioneers like Pan American go out of business.

Next month, the European Union will discover whether deregulation – a process that began tentatively a decade after that of the US – has a similar effect in Europe. On April 1, its latest package of reform will abolish the final legal restrictions on European airlines' freedom.

On that day, any airline from a country in the European Economic Area – the EU plus Norway, Iceland and Liechtenstein – will have the right to operate domestic services in any other EEA state. They already have the right to fly freely from one European country to another.

This will make Europe's skies even more open to competition, in theory, than those of the US. The American domestic market is open to US airlines. A series of open skies agreements also means many European carriers can fly to any US city without government permission. But foreign carriers are barred from operating domestic services inside the US. By allowing European airlines to operate domestically in each other's markets, the EU has gone a step further than the US.

But will European deregulation result in airline investors doing, in Mr Kahn's words, crazy things? Will fares fall as entrepreneurial low-cost airlines snatch business from established carriers?

Some low-cost competition is already emerging, particularly in the British Isles, with new services from Ryanair of Ireland and Easyjet of the UK. But progress towards fully-fledged airline competition is likely to be slow.

It is hampered by a shortage of take-off and landing slots at many European airports and the financial and political support that governments give their national carriers. New airlines attempting to compete in France, Italy, Spain and Greece all find themselves up against state-owned carriers which are supported by taxpayers' money.

"There's deregulation in law but not yet in reality," says Mr Jonathan Ornstein, chief executive of Virgin Express, the Brussels-based low-cost carrier owned by Mr Richard Branson's Virgin group. "There have been some big steps but they haven't gone far enough."

Defenders of European deregulation insist on looking at the positive side. They begin with the huge change in attitudes which they say has occurred in the European Commission and among national governments and airlines.

Since the second world war, aviation has been the most highly regulated industry in the world. Airlines flying from one country to another had to receive the approval of both governments. Governments also decided what size of aircraft could be used, how often they could fly and what fares could be charged.

As Mr Clifford Paice, head of regulation at the UK's Civil Aviation Authority, said in a speech last year: "What we had was a wide-ranging cartel of airlines – a cartel which was not simply encouraged by governments but actually enforced by governments."

"It ought to be said that few airlines were complaining," he added.

In Europe, as in much of the rest of the world, it was also taken for granted that each country should have its own national airline, which should be protected against competition.

The optimists say that, given this background, Europe's decision to deregulate is a huge step in itself. While the EU has allowed governments to subsidise Air France, Iberia of Spain, Olympic Airways of Greece and Aer Lingus of Ireland, the Commission has begun to attach stricter conditions to state aid.

"We're seeing much greater scrutiny of state aid," says Sir Michael Bishop, chairman of British Midland, one of Europe's most successful independent airlines, and a vociferous opponent of state subsidies. "It's not being squeezed out, but it will be over the next two or three years."

Even the subsidised state-owned carriers are become more competitive, he says.

The optimists also point to the number of independent airlines and the scale of their operations. British Midland, for example, flies from Heathrow to destinations such as Paris, Brussels and Amsterdam, some of the busiest routes in Europe. It holds more slots at London's Heathrow airport than any airline apart from British Airways.

Easyjet, which is based at Luton airport near London, flies to Scotland, as well as to Amsterdam, Nice and Barcelona. Air One, an Italian carrier, is competing on the Rome-Milan route with Alitalia, the national carrier.

Virgin Express includes Brussels to Copenhagen and Rome to Barcelona among its routes between several European cities. It also runs flights between Brussels and Heathrow on behalf of Sabena of Belgium, offering seats to the customers of both airlines.

One of the greatest successes has been Ryanair. The Irish airline has demonstrated that by offering low fares it is possible to attract passengers who might not have thought of flying before. Its flights between Dublin and London's Stansted airport have raised the number of passengers flying between the two capitals from 994,000 in 1985 to 3.4m last year. It also flies between other Irish and UK destinations.

The bad news for supporters of deregulation is that independent airlines find it difficult to win the right to operate at many European airports.

Sir Michael Bishop says that while Heathrow is congested, UK airports such as Luton and Stansted offer low charges to new entrants. Few airports on the Continent are as commercially minded, he says.

Mr Ornstein of Virgin Express also says it is difficult to win permission to operate at airports such as Frankfurt, Madrid, Barcelona, Milan and Brussels. But he believes that while Heathrow is undeniably crowded, slot shortages at some other European airports are artificial.

"We have had problems in Brussels," he says, "an airport where you can fire a cannon down the runway most of the time without hitting anything."

But Mr Tim Jeans, commercial director of Ryanair, believes it is possible to find continental European airports from which to operate. His airline has avoided busy airports – it uses Stansted rather than Heathrow, for example. It also flies to Prestwick, southwest of Glasgow, rather than using the city's main airport.

When Ryanair begins services from Dublin to Brussels and Paris in May, it will avoid large airports in both continental cities. It is using Charleroi airport, 35 miles south of Brussels, and plans to fly to Beauvais, 35 miles north of Paris. Mr Jeans believes Ryanair can find smaller airports in other countries.

Ryanair is already operating a domestic service outside its home country – even before the April 1 deadline for lifting such restrictions. The UK authorities permitted the airline to start operating between Stansted and Prestwick in October 1995.

Nevertheless, Mr Jeans believes the UK was an exceptional case. Since it was a neighbouring market, it was easy for Ryanair, an Irish carrier, to understand. Like many other airline managers, he predicts that airlines will have great difficulty running domestic services in countries other than their own.

Ryanair might consider operating domestically in Scandinavia but will avoid busy routes such as Barcelona-Madrid. It would be extremely difficult for a foreign airline to compete with an entrenched carrier such as Iberia on this route, Mr Jeans says.

Mr Ornstein says Virgin Express might consider operating on some domestic routes. But other airlines are wary. British Airways, Europe's most powerful and profitable carrier, is already running domestic services in France and Germany – and struggling to make a success of them.

BA anticipated this April's change by taking stakes of just below 50 per cent in two carriers, TAT of France and Deutsche BA. It has since taken full ownership of TAT and bought a majority share in Air Liberté, another independent French carrier.

But while Deutsche BA has taken passengers away from Lufthansa, the national airline, BA's French and German ventures are both losing money.

"If a company of BA's competence can't make a go of it, there must be a question mark over the others," says Sir Michael Bishop.

This means that the final stage of the EU's liberalisation on April 1 will be an anticlimax. Few executives foresee a rush by European airlines to start domestic services in other countries.

Previous reforms, such as those allowing freer flights between countries, have yet to result in many new services between countries. Start-up airlines are likely to spend their time trying to make these earlier changes work rather than throwing themselves into domestic markets where national carriers can still, in spite of the EU's efforts, make life difficult for them.

OBSERVER

California dreaming

■ The Hyatt West Hollywood has never fitted with the privately-owned hotel chain's reputation for blandness. The name of the hostelry has been changed three times in the last 30 years, but its informal tag – the "Riot Hyatt" – is the one that stuck.

The hotel's location on Sunset Boulevard's famous Strip made it an ideal haunt for generations of rockers shooting for stardom in the area's music clubs. Memorable events include a tour of the corridors by members of Led Zeppelin aboard a Harley Davidson motorcycle; the late Doors' singer and long-time resident Jim Morrison took to hanging from windows by his finger-tips before he was evicted.

That was years ago now, but the joint has lost none of its dubious charm. More recent episodes include Guns 'n' Roses frontman Axl Rose causing a feeding frenzy among fans by tossing steaks to the crowd gathered in the street below his hotel window.

This kind of wear and tear – and a rising tide of sleaze on the Strip – tempted the owners to pull out. But the district is now on the up, helped by the recent opening of the Philippe Starck-themed Mondrian Hotel, just a steak's throw away on the other side of the Strip. This neighbourhood revival has led to a change of heart; now the Riot Hyatt is to get a $9,000-a-room refurbishment and a themed restaurant based on its rock'n roll past. Way to go.

Past presents

■ India's army of small shareholders face a glum time after the government announced a crack-down on corporate gifts. The move will disappoint the thousands of small investors who turn up at annual general meetings – usually mind-numbingly boring even by international standards – hoping to get a cup of tea, a couple of biscuits and perhaps something more.

In a strongly-worded report a government committee says that the practice of giving away vouchers and other trinkets has assumed "cancerous proportions". The committee noted that "without such presents, shareholders have been known to heckle and continuously disrupt proceedings, ask for polls on every resolution and have even turned violent".

Many internationally-minded companies will welcome the crackdown. Two years ago the annual meeting of Colgate-Palmolive India was disrupted by passionate protests as investors stormed the stage and surrounded the chairman, shouting and waving their fists.

Despite appearances, this violent display was not a political protest or the result of some internecine labour dispute. The company had simply been slow to hand out the free ice-creams promised to shareholders.

Stirring stuff

■ Plans to shoot the latest James Bond film in Vietnam clearly had the authorities in a quandary. On the one hand the debonair fictional British agent was deemed to express anti-communist values; yet at the same time the government is keen to be seen welcoming foreign investment with open arms.

The government's answer to its predicament was typically robust. A local English-language newspaper, the Vietnam Investment Review, was this week forbidden from running a story saying that Hanoi had refused to allow the film-makers to shoot in Vietnam. The day before publication, no lesser person than the minister in charge of foreign investment, Tran Xuan Gia, scored a red line through the article saying it was "not appropriate for a business newspaper".

Perhaps the minister forgot that the 18th mega-budget Bond production probably would have created hundreds of jobs and brought in hard currency by attracting curious tourists, to say nothing of future film-makers.

Biting critics

■ Still in the rough-and-tumble world of motion pictures, the Pakistani government has withdrawn $1.5m support for a film about the life of Muhammad Ali Jinnah, the country's founding father.

This time casting is the main cause of controversy. The film-makers selected Christopher Lee – best-known to film audiences for his chilling portrayals of Count Dracula – as the leading man. They also offended nationalists by offering a part to Indian actor Shashi Kapoor, a move condemned as unpatriotic.

Many Pakistanis will be disappointed if the project fails to get off the ground; it was meant to form part of the country's 50th anniversary celebrations. The film's director, Akbar S. Ahmed – a Pakistani former bureaucrat turned Cambridge professor – is hopeful that he can win opponents round. But the whole controversy has turned into a real pain in the neck.

The Financial Times

100 years ago

An Insurance Fraud
Mr Frank Hurst Barnes and his sister Miss Florence Hurst Barnes are evidently people of more than ordinary cleverness, and it is unfortunate that owing to a misdirection of their ability the outside world will be deprived of their society in one case for three years and in the other for twelve months. It seems that Mr and Miss Hurst Barnes have for the past five years been devoting some of their attention to the interesting but hazardous task of defrauding insurance companies. It seems that in December last a claim was made on the British and Mercantile Insurance Company in respect of of a fire which occurred in the home which Mr Hurst Barnes shared with his sister. The gentleman sent to investigate the claim had, as luck would have it, acted in a similar capacity for another insurance office. He discovered that certain identical goods figured in both cases.

50 years ago

The World Bank
It is expected that Turkey and Syria will become members of the International Monetary Fund and the World Bank this week and that it will not be long before the Lebanon and Italy also join.

Enso follows trend with 52% fall

By Hugh Carnegy in Stockholm

Enso, the Finnish pulp and paper group, yesterday reported a 52 per cent fall in profits in 1996 – neatly completing results in a disappointing year for the sector by hitting the average tumble in earnings among the top eight forestry producers in the Nordic region.

Profits after financial items at Enso – Europe's third largest pulp and paper supplier – slid from FM3.5bn in the boom year of 1995 to FM1.66bn ($324m) in 1996 when weak demand and falling prices hit profits at all large producers in Europe and North America. Earnings per share dropped from FM10.52 to FM4.50.

Among the leading groups in Finland, Norway and Sweden, the smallest profits decline – at 26 per cent – came from Norske Skog of Norway, which benefited from its weight in newsprint, which was not affected by price falls until late in the year. The worst result came from Metsä-Serla of Finland, which saw profits fall 83 per cent.

Enso, created by the merger a year ago of Enso-Gutzeit and Veitsiluoto, said it was hit by declines in prices for sawn timber, wood pulp and fine papers. Operating profit fell from FM4.9bn to FM2.7bn on sales down more than 8 per cent from FM28bn to FM25.7bn.

The worst divisional result was in the fine papers unit, where operating profits of FM1.3bn in 1995 swung to a loss of FM61m.

All figures were stated on a pro-forma basis as the merger was not officially completed until May last year.

The company said it expected sales volumes to rise this year on strengthening demand. But it warned that prices were likely to rise only slowly from their present low levels. New capacity due this year, especially in coated fine papers, would help to hold back prices, it said.

It warned that results in the early part of this year would be lower than in the same period last year and the full year result would be about the same as in 1996.

Enso's most-traded R shares ended yesterday down FM0.40 at FM44.90. The 1996 dividend was set at FM1.80 a share.

Czech brewers seek solace abroad

Czechs drink more beer than anyone else, but breweries are barely profitable

The beer was flowing freely last week when the Czech brewing industry gathered for its annual fair – a summit-cum-booze-up at which producers and customers forge alliances and break old ones, and forget for a few days the breweries' often illogical economics. Figures look different when viewed through the bottom of a glass.

Although Czechs drink more beer than any other nation, their breweries are barely profitable. Consumption is high because prices are extremely low. There is no brand loyalty, so competition is intense and usually based on price.

In a recent report on the industry, stockbrokers Ballmaier & Schultz noted that local consumption was not rising and may even decline in future, and that sales would gradually shift from pubs to supermarkets as more people drink at home. About 20 per cent of the industry's capacity was idle, the report said.

But against this sober background, this year's fair coincided with signs of a change in the fortunes of Czech breweries, after a long period of upheaval during privatisation and the break-down of old monopolies.

Gone is the obsession with its own greatness and the insular thinking that dominated the industry in the past few years. Breweries are focusing more on lifting profits and seeking a decent return on the huge sums spent in recent years on modernising production and securing distribution rights.

The upheaval affected different brewers in different ways.

At Plzensky Prazdroj, the country's largest, a clear ownership structure emerged for the first time only last year. With that distraction behind it, management is now free to develop the business.

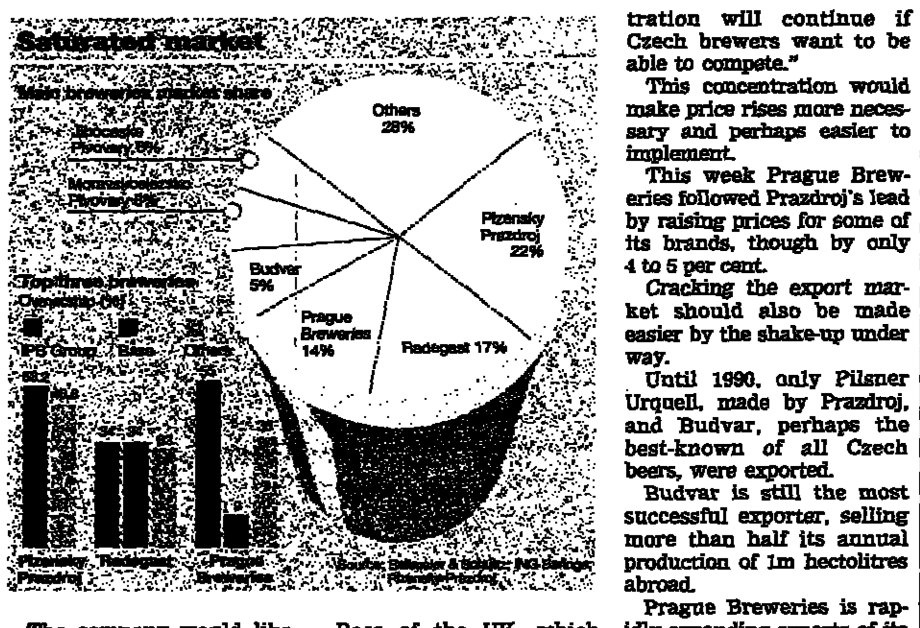
"Last year was the first year of normal operations, when we could concentrate on developing plans for the future," says Mr Vladimir Perina, Prazdroj chief executive.

The company is now seeking to double output at its Pilsen brewery to 8m-10m hectolitres by the turn of the century.

Though sales of Prazdroj brands exceeded 4m hectolitres for the first time last year, preliminary figures show profits fell from more than Kč150m ($5.1m) in 1995 to Kč90m-Kč100m.

In an effort to reverse this trend, the brewery raised prices by an average 10 per cent in December, higher than inflation but still below the cost increases experienced in the past few years.

Prazdroj is also considering licensing production of some of its brands abroad, and hopes to boost exports after securing distribution deals in western markets.



The company would like to acquire another brewery in central Europe, after buying 51 per cent of Ragutis in Lithuania, where production of Prazdroj's Gambrinus brand – the biggest seller in the Czech Republic – will begin this spring.

At the same time, a battle looms for the top spot in the Czech market. Prazdroj has a 22 per cent share of national beer consumption. Radegast and Prague Breweries, the second and third biggest of the country's 49 brewing groups, have 17 per cent and 14 per cent, respectively.

Bass of the UK, which owns 51 per cent of Prague Breweries, has made no secret of its ambition to create a group with at least 25 per cent of the Czech market. It is in a tussle with the IPB banking group, which owns 53 per cent of Prazdroj, for control of Radegast, in which each has a 34 per cent stake.

Prazdroj, meanwhile, has approached the regional brewery Jihoceske Pivovary, which would add another 7 per cent to its market share.

Mr Perina says: "We feel a strong group is being created around Bass, and we are trying to follow that. Concentration will continue if Czech brewers want to be able to compete."

This concentration would make price rises more necessary and perhaps easier to implement.

This week Prague Breweries followed Prazdroj's lead by raising prices for some of its brands, though by only 4 to 5 per cent.

Cracking the export market should also be made easier by the shake-up under way.

Until 1990, only Pilsner Urquell, made by Prazdroj, and Budvar, perhaps the best-known of all Czech beers, were exported.

Budvar is still the most successful exporter, selling more than half its annual production of 1m hectolitres abroad.

Prague Breweries is rapidly expanding exports of its premium Staropramen beer, which is widely available in Bass pubs in the UK. Prazdroj increased exports last year by nearly 16 per cent to 442,000 hectolitres.

Exports of Pilsner Urquell, Budvar and Staropramen are likely to continue rising.

An executive at one of the top three breweries comments: "In five years, domestic prices may not be much higher than they are now. So more and more beer will go for export. Exports are the key to making money from Czech beer."

Vincent Boland

Polish bank buys finance consultant

By Christopher Bobinski in Warsaw

Poland's listed Export Development Bank (BRE) has moved to expand its local investment banking operations with the acquisition of BMF, the country's largest local corporate finance consultancy.

The purchase of BMF, founded five years ago, gives BRE the greatest investment banking capability among Poland's banks.

It also snatches the consultancy, which employs 50 people, from several global banks which had expressed an interest in matching the growing operations of HSBC and Schroders in Poland by buying a local operation.

Polish Development Bank (PBR), which is in talks with Daiwa about selling the Japanese bank a significant equity stake, was also thought to have been interested in buying BMF.

BRE's move was led by its deputy president, Mr Wojciech Kostrzewa, who came to the bank from PBR. Commerzbank of Germany, which two years ago bought a 21 per cent stake in BRE, is buying additional existing shares to take its stake to 32.9 per cent.

BMF, headed by Mr Wojciech Janczyk, has played an important role as a Polish government adviser in talks with General Motors and Daewoo on their industrial investments in Poland. BMF is working on 10 projects, including acting as an adviser to Polska Nafta, the umbrella company which owns the country's refineries, which are to be privatised next year.

BRE's wholly-owned subsidiary Ambresa recently bought 27.2 per cent of Wisla, a regional broadcaster in southern Poland with access to 12m viewers. Wisla's strategic investor is TVN, a partnership between Central European Media Enterprises and ITI, a local media company.

Higher state spending lifts Middle East banks

By Robin Allen in Abu Dhabi

Two Saudi and Gulf private sector commercial banks have reported increased 1996 profits as government spending rose on the back of higher oil prices.

In Saudi Arabia, higher state spending partly took the form of reimbursing state contractors and suppliers, and farmers.

At the same time the government turned to private-sector banks for credit to finance the expansion of state utilities.

In Kuwait and other Gulf states, increased state spending generated more domestic demand for credit as private sector corporate customers expanded operations and retailers sought more consumer credit.

Exceptions to the rule in Saudi Arabia were Saudi Cairo, which cleaned up its balance sheet by refunding most of the cheap government deposits it received in 1988 through the state's Public Investment Fund, following losses 10 years ago; and Saudi French Bank, in which Banque Indosuez has a 31 per cent stake, whose performance was marred by a single large exposure outside Saudi Arabia.

Saudi and Gulf private sector banks: 1996 results ($m)

	Total Assets		Loans/Advances		Customer deposits		Sharholders' equity		Net profits	
Saudi Arabia	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
[illegible]										
Arab Nat	9,110	8,655	2,367	2,877	6,183	5,662	742	701	123	111
[illegible]										
Saudi American	11,023	10,908	3,698	4,641	6,672	8,249	1,153	1,089	245	285
[illegible]										
Saudi Cairo	4,370	5,042	1,655	1,291	2,881	3,792	481	467	48	57
[illegible]										
Saudi French	7,690	7,232	2,311	2,660	4,946	4,601	739	708	80	94
[illegible]										
United Saudi Commercial Bank	3,183	2,920	1,407	1,153	1,763	1,482	456	410	91	82
Kuwait										
[illegible]										
NBK	13,062	12,905	5,098	4,589	7,466	7,714	1,177	1,153	238	219
UAE										
[illegible]										
BBME	5,542	5,262	3,136	2,299	4,600	4,483	267	256	101	95

†: Al-Rajhi Banking & Investment Corporation is an Islamic institution. It has debtors in lieu of loans; and current/investment accounts in lieu of customer deposits. Source: Bank reports

Increased profits in Saudi Arabia were accompanied by higher loan-loss provisions and, for all except two banks, lower loans and advances.

The two exceptions were United Saudi Commercial Bank (USCB), where loans were up 22 per cent and provisions unchanged at SR40m ($10.7m), and Saudi Investment Bank (SAIB). USCB is 80 per cent owned by Prince Al-waleed Bin Talal, who is seeking approval from the Saudi Arabian central bank to merge USCB with Saudi Cairo, following USCB's acquisition last year of 33.4 per cent of Saudi Cairo.

National Commercial Bank, still the only Saudi private family bank, reflected most of the shift among Saudi banks. NCB's profits rose 30 per cent; loans were reduced by 1 per cent; provisions rose 48 per cent, and total assets were up 4.4 per cent.

Al-Rajhi Banking & Investment Corporation, Saudi Arabia's only Islamic bank, reported profits of $323m, giving a return on shareholders' equity of some 25 per cent, by far the highest of any Gulf financial institution.

Kuwait's National Bank (NBK) reported a 20 per cent return on equity. Gulf Bank however had a higher return on assets: 2.4 per cent compared with NBK's 1.83.

In the United Arab Emirates, the results of MashreqBank reflected general buoyancy.

The results of British Bank of the Middle East reflected the effect of improved oil prices and private sector growth in Jordan, Lebanon and the wider Middle East region.

EUROPEAN NEWS DIGEST

Morgan Stanley to take stake in Koor

Morgan Stanley, the US investment bank, is to acquire 8 per cent of Koor Industries, one of Israel's largest conglomerates, for between $130m and $150m. The acquisition, amounting to 1.325m shares, will make Morgan Stanley the third-largest investor in Koor, which in 1995 became the first Israeli company to be listed on the New York Stock Exchange.

Bank Hapoalim, Israel's largest bank, is the main shareholder with a 23 per cent stake, followed by Shamrock Holdings, of the US, which has 20 per cent. Bank Leumi, Israel's third-largest bank, has a 6 per cent stake. Most of the remaining shares are held by foreign institutional investors.

Morgan Stanley yesterday would not confirm its acquisition of the Koor stake, or whether the shares were being bought on its behalf or for a client. However, it made a filing to the Securities and Exchange Commission on February 11, in line with its obligations because of the size of the stake.

The planned acquisition confirms Koor's strategy since Mr Benny Gaon, president and chief executive office, embarked on a restructuring three years ago. It aims to broaden its ownership base and seek international partners, and to create a core of companies grouped around agrochemicals, chemicals, telecommunications and building materials.

Since then, Koor has hived off some of its food subsidiaries and sought partners for the agrochemicals and construction divisions. It is also anxious to forge economic contacts with Israel's neighbours, particularly Egypt.

In January, the Kato Group, one of Egypt's largest business groups, headed by Mr Ibrahim Kamel, acquired a 5 per cent stake in Koor – the first Middle East company do to so. Koor's revenues during the first nine months of 1996 were $2.65bn, compared with $2.59bn over the same period the previous year. Net profits climbed 9.4 per cent, from $141.1m to $154.3m. *Judy Dempsey, Jerusalem*

Havas seeks 'Anglo-Saxon' ally

Havas would like an "Anglo-Saxon shareholder" to help develop its audiovisual business outside continental Europe, Mr Pierre Dauzier, head of the French communications group, said in an interview yesterday with La Tribune, the French business newspaper.

Mr Dauzier said he wanted such an alliance "because we have need of a strong presence across the Atlantic", but among "a certain number of possibilities" he cited Pearson, the UK-based group which owns the Financial Times, as well as Time Warner, of the US, as possible partners.

However, he stressed he had no "mandate" from the Havas board to start the search, which he indicated could take a couple of years. Mr Dauzier said a future partner would have to be compatible with Générale des Eaux, which has raised its stake in Havas to 30 per cent and which brings with it telecommunications alliances with British Telecommunications in the the UK and MCI in the US. He also dismissed speculation that CEP Communication, a Havas subsidiary, was contemplating trying to buy Les Echos, another French business daily, from Pearson. *David Buchan, Paris*

Referral for Carrefour buy

The French government announced yesterday it had referred Carrefour's purchase of 41 per cent of another supermarket chain, Cora, to the country's Competition Council, which has the right to vet large mergers or alliances for possible trade distortion.

The competition referral does not suspend or block the deal, but the council could impose certain conditions, as it did in the recent takeover of Docks de France by the Auchan supermarket chain. Auchan was asked to divest supermarkets in three cities where it would otherwise have had a dominant position. The scale of the Carrefour-Cora alliance is bigger than Auchan-Docks de France. *David Buchan*

Euronet IPO raises $71.55m

An initial public offering from Euronet Services, the sole independent, non-bank owned ATM network operator in central Europe, has raised $71.55m on the Nasdaq exchange. It says the money will be used for further investment in the underdeveloped central European market.

A total of 5.3m shares, about 44 per cent of the equity, were sold at $13.50 each, valuing the company, which was founded in 1994, at $193m. Euronet operates 131 ATMs in Hungary, or about 12 per cent of the estimated 1,100 ATMs at the end of 1996. At the same time it operated 35 machines in Poland. The company sees strong growth potential in both markets, and has also begun operations in Germany.

Euroventures BV, a $20m venture capital fund owned by ABN Amro bank and the International Finance Corporation, among others, reported a profit of "several million dollars" on its sale of 200,000 shares, after an initial investment of less than $1m. *Kester Eddy, Budapest*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

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COMPANIES & MARKETS

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IN BRIEF

GE buys aircraft engine servicer

General Electric of the US extended beyond its traditional manufacturing operations with the $530m acquisition of the US's largest independent servicer of aircraft engines. Page 19

Enso follows trend with 52% fall
Enso, the Finnish pulp and paper group, reported a 52 per cent fall in profits in 1996, completing results in a disappointing year for the top eight forestry producers in the Nordic region. Page 16

State spending lifts Middle East banks
Two Saudi and Gulf private sector commercial banks have reported increased 1996 profits as government spending rose on the back of higher oil prices. Page 16

Israeli retailer up 22% on acquisition
Blue Square, Israel's largest retailing group, posted a 22 per cent increase in net income for 1996 on a 30 per cent surge in revenues, fuelled by its investment strategy. Page 18

Dah Sing advances 26.5% in year
Dah Sing Financial Holdings, the Hong Kong-listed banking and financial services group, reported a 26.5 per cent rise in annual net profits, from HK$476.55m in 1995 to HK$602.61m (US$77.8m) last year. Page 22

Premier sticks with Albania
Premier Oil said that the political upheaval in Albania would not alter its decision to step up its exploration drive, as it reported an 80 per cent rise in 1996 net income to £45.3m. Page 23

Cellnet chief departs after 30 months
Mr Howard Ford, managing director of Cellnet for the past 30 months, left the UK mobile phone operator unexpectedly. Mr Ford and British Telecommunications, which holds a majority stake in Cellnet, said the parting was amicable and by mutual agreement. Page 23

Laporte surprises with 12% rise
Laporte, the UK speciality chemicals company, surprised the City of London with a 12 per cent rise in underlying profits, on static sales, which it claimed as the reward for last year's radical restructuring. Page 23

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Allianz	3443	+	61	Accor	846	+	21
GEHE	118	+	4.7	CCF	287.5	+	9.5
Holzmann	530	+	25	SLIC	889	+	28
Rheinmetall	292	+	12	Taittinger	2300	+	200
Volkswagen	610	+	42.5	**Falls**			
Falls				Imetal	843	–	17
Altana	1386	–	33	Peugeot	636	–	18
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
China E Air	29¾	+	3⅛	Amada Co	899	+	24
Corning Inc	42⅝	+	3⅝	Hokuriku Bnk	438	+	22
US Airways	24⅞	+	2	Mitsui T&B	754	+	29
Falls				**Falls**			
Eckerd	17⅞	–	1¾	Meiji Milk	510	–	16
Office Depot	19	–	4⅛	Nishimatsu Cnst	777	–	48
Shaw Group	20⅞	–	1¾	Tokio Marine	1180	–	110
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
CMG	1255	+	85	Asia Satlte	19.8	+	0.7
TBI	397½	+	23½	China Res	5.5	+	0.85
Polydoc	325	+	32½	Shanghai Ind	34.3	+	1.2
Falls				Tele Broadcst	34.7	+	1.7
Arcolectric	75	–	32½	**Falls**			
Psion	406½	–	24	Hutchsn Whmp	57.5	–	1.0
Scotia	570	–	35	Sun Hung Kai	87.5	–	1.25
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Cinram Corp A	6.4	+	0.7	Navakij Ins	45.0	+	4.0
Spectrum Sig	9.75	+	0.6	Siam Food Prd	80.0	+	6.0
Q Zar Inc	7.25	+	0.8	Tipco Asphalt	129.0	+	10.0
Falls				**Falls**			
Beacon Eye	6.0	–	0.5	Hemaraj L&D	78.5	–	8.5
Scintrex	18.4	–	1.6	Safety Ins	15.0	–	2.0
Speedware Grp	3.25	–	0.4	Seafresh Ind	25.0	–	7.0

New York and Toronto prices at 12.30pm.

Siemens to sell defence business

Group drops plan for joint venture

By Tim Burt in London

Siemens, the German electrical and electronics group, has abandoned plans to place its defence electronics business in a joint venture in favour of a trade sale.

The company, which two weeks ago told staff it was seeking a partner for the business, has hired Morgan Stanley, the US investment bank, to draw up a shortlist of outright bidders and hopes to complete the disposal before its September financial year-end.

Sir Peter Levene – the UK government's former chief of defence procurement – is leading the team handling the sale. He joined Morgan Stanley as a senior adviser last November.

Yesterday, Sir Peter said the bank would soon issue an information memorandum on the defence electronics subsidiary, which is expected to show it made profits of DM60m on sales of DM1.6bn ($940m) last year.

The decision to sell the business – dominated by Siemens Plessey in the UK – follows a downturn in government defence spending and pressure for consolidation in the European defence industry.

"The industry has to be sorted out in Europe now that consolidation has already taken place in the US," Sir Peter said.

Morgan Stanley is understood to have been contacted by a number of potential bidders, thought to include General Electric Company of the UK, ITT and Lockheed Martin, both of the US.

Racal, the UK electronics group, was said not to be interested – even though it is a partner with Siemens and ITT in the so-called Archer consortium, which is seeking UK Ministry of Defence clearance to bid for a £2bn ($3.26bn) communications system for the country's armed forces.

Siemens yesterday said the change of ownership would not affect its position on that programme.

Mr Clive Dolan, managing director of Siemens Plessey Electronic Systems, said: "The company has decided that it would be better for this business to be part of a group where defence electronics is the prime business. But that will not prevent it continuing to generate new business such as Archer."

The UK defence ministry has not yet decided whether to support the Archer consortium, which would bring together companies that previously were proposing rival bids for the battlefield radio programme.

Morgan Stanley said the MoD might also need to be consulted once a preferred bidder had been selected for the business, although it did not expect serious objections to some of the potential bidders named so far.

Swedish plan to merge markets wins approval

By Greg McIvor in Stockholm

A planned merger between the Stockholm Stock Exchange and OM, the Swedish derivatives exchange operator, took a big step towards fruition yesterday after a government-sponsored report backed the move.

The two, which are both listed companies, have been in talks since November aimed at creating a common Swedish market for equities and derivatives trading – a response to growing competition among European financial centres.

Mr Stefan Ingves, deputy governor of Sweden's central bank and the report's author, said integration would ease access to the market. "A merger ... can create good conditions for a competitive marketplace in Sweden for equities and derivatives," he said.

Mr Erik Asbrink, finance minister, called the merger "a step in the right direction" towards a stronger domestic market.

He said the government would soon announce measures to strengthen stock market supervision in light of the planned structural changes.

Approval from the government, which has a 7 per cent stake in the Stockholm Stock Exchange and indirectly controls an additional 7 per cent, had been seen as vital.

Mr Per Larsson, OM chief executive, said he hoped merger talks would now accelerate and be concluded before the summer. The main issues to be resolved were the ownership structure and the financial details. "I would be very disappointed if we cannot pull this all the way through to the end," he said.

OM, the biggest shareholder in the Stockholm Stock Exchange with a 21 per cent stake, saw its shares rise SKr2.50 to SKr273.

Linking Sweden's equities and derivatives markets would enhance Stockholm's status as the prime Nordic financial trading hub. OM has already established a link with Norway's derivatives market and expects to open a similar connection with Helsinki later this year.

One obstacle to the planned merger had been the domination of the merged company by Sweden's big Wallenberg industrial empire.

OM's biggest shareholder is Investor, the main Wallenberg investment vehicle, and Wallenberg companies make up half of Stockholm's market capitalisation. However, the ownership question was not raised in the report.

Mr Per Afrell, head of equity research at SBC Warburg in Stockholm, said investors were primarily concerned with the improved liquidity that an integrated market would confer. "Having cash and derivatives trading in one system will bring down costs in the longer run and help raise liquidity levels," he said.

Jean-Pierre Rodier, chairman of Pechiney, said the French aluminium and packaging group planned to close three aluminium can plants in the US this year.

It will cut its US production capacity by 10 per cent because the growth in demand for soft drinks containers in North America is being captured by rival PET (polyethylene terephthalate) bottles. Mr Rodier said the group was taking action at a cost of FFr350m ($61.4m) because demand for aluminium cans in the US might fall in the future even though it was stable at present. Pechiney's own packaging division was hoping to develop a PET beer container but this would take several years. Report, Page 28 Picture: Colin Beere

Biggest oil futures exchanges set to agree pact

By Robert Corzine in London

The world's two largest oil futures markets are expected to announce a pact this week that could pave the way for lower transaction costs for petroleum traders.

London's International Petroleum Exchange and the New York Mercantile Exchange have traditionally been fierce competitors in trying to attract the world's biggest oil traders. But greater co-operation, which reduced the cost of trading, could boost use of the two exchanges.

Mr Lynton Jones, chief executive of the IPE, yesterday said the futures contract based on Brent Blend – a North Sea crude that serves as a price benchmark for much of the world's oil – and Nymex's West Texas Intermediate contract "complemented each other".

He said many oil traders used both contracts, and often did so to exploit the arbitrage opportunities on offer through the different pricing of the two contracts. "We have to look at ways to make that trading easier. If we can reduce the overall costs of trading then let's do that."

Nymex last night said co-operation between the two "was possible".

The Nymex WTI contract accounts for about 60 per cent of the oil futures market, with Brent taking most of the rest. Nymex has been keen to expand use of the WTI contract outside the US, although Brent is the basis for most crude oil pricing in Europe, the Middle East and Asia.

Meanwhile, the IPE is trying to unravel one of the main elements of its two-year-old co-operation pact with Singapore's Simex exchange.

Mr Jones said a decision to put back IPE's opening in London by half an hour to allow extended trading of the Brent contract in Singapore "has had a deadening effect on the Brent contract and the IPE market in general".

IPE is losing 1,500 contracts a day (out of an average of about 50,000) because of the late start. "We want that half-hour back," said Mr Jones, but Simex has so far resisted IPE's overtures.

IPE sees strength, Page 28

Wassall plan to float GCC

By Ross Tieman

Wassall yesterday outlined plans to float 70 per cent of its General Cable Corporation subsidiary in the US and distribute £150m ($244m) of the proceeds to shareholders.

The payout represents the amount invested by the conglomerate in buying General Cable almost three years ago, net of dividends.

Wassall shares rose 22p to 376p in London as brokers and investors responded enthusiastically to the announcement.

Under arrangements detailed yesterday, Wassall will float General Cable, which manufactures electricity and telecommunication cables, through an Initial Public Offering on the New York Stock Exchange. Registration documents filed with the Securities and Exchange Commission suggest General Cable is expected to be valued at £460m.

Wassall expects to receive £361m, net of expenses for the shares sold. Of this, £150m is to be distributed to investors through an issue of B shares, which investors can require Wassall to redeem at 76p.

Wassall ordinary shares will be consolidated on the basis of 11 new shares for every 14.

The combined effect is to return 20 per cent of the shares' value to investors. Wassall will be left with net cash of £190m.

The flotation plan was accompanied by preliminary figures for the year to December 31 showing a strong upsurge in Wassall's underlying operating profit, which rose by 27 per cent to £71.3m.

But pre-tax profits fell 7.63 per cent to £53.1m after an £18.8m adverse move in the price of copper used at General Cable. Group sales rose £11m to £964m. Earnings per share fell 0.1p to 19.4p. A final dividend of 5p makes 7.1p for the year, up 29 per cent.

Lex, Page 20

US regulator opposes office supply store merger

By Richard Waters in New York

The US's Federal Trade Commission moved yesterday to block the planned $4bn merger between Staples and Office Depot, two fast-growing operators of office supply "superstores".

The action comes with merger and acquisition activity at a record level in the US, and marks the biggest corporate combination that the anti-trust regulators have attempted to block outright in recent years.

Legal experts said, however, that the move did not appear to signal a change in policy with regard to big mergers, and that its effects would mainly be felt in the US retailing industry.

In recent years, the FTC, along with the Department of Justice, has chosen not to challenge a large number of horizontal mergers in a range of industries, some of which have led to considerable concentrations of market share in fewer corporate hands.

Staples and Office Depot said they would "vigorously contest" the FTC's action, and contended that their combination was "pro-competitive and will lower prices". The two vowed to fight the regulator's action in the courts.

Mr William Baer, director of the FTC's competition bureau, said that "prices are significantly lower" in markets where Staples faced competition from Office Depot than in those markets where it did not. A merger would therefore reduce competition and "consumers will pay higher prices", he added.

The dispute is likely to focus attention on how the FTC defines the scope of a local market when assessing a merger's effects on competition. Until now, it had taken a broad view, reflecting the shift towards global competition in many industries, said Mr Robert Crandall, a senior fellow at the *Brookings Institution*. That has enabled greater concentrations of market share among US companies than would have been the case.

Staples and Office Depot have argued that, taking a broad view of the market they serve, they jointly account for only 5-6 per cent of total sales. The FTC's action, though, appeared to indicate that the agency had chosen to define the market more narrowly, looking at the two companies' combined market share, Mr Crandall said.

Legal experts said the move was unlikely to slow the pace or nature of mergers and acquisitions.

Second time lucky for Mediobanca

The secretive Milan investment bank played an important role in the HPI-Marzotto merger

Fiat chairman Cesare Romiti (left) and Pietro Marzotto, who becomes chairman of Gruppe Industriale Marzotto

For Mediobanca, the secretive Milan investment bank, and the "salotto buono", as the exclusive club grouping the cream of Italy's private business establishment is known, it seems to be a case of second time lucky.

Barely two years ago, Mediobanca's attempt to merge the Ferruzzi-Montedison group with Gemina, the investment holding controlled by some of Italy's biggest companies and led by Fiat, ended in fiasco. The idea was to create a new private sector mammoth to resolve the financial problems of the Ferruzzi group, in the aftermath of its near-collapse in 1993.

The collapse of the so-called "SuperGemina" project was not only a financial blow for Mediobanca and its partners; it also badly damaged the image and credibility of the country's premier investment bank. The general impression was that Mediobanca, for decades run by Mr Enrico Cuccia, its veteran honorary chairman and corporate match-maker, was losing its touch and that the old incestuous ways of doing business in Italy were on the wane.

Judging by yesterday's stock market reaction to the merger of Gemina's industrial portfolio with Marzotto, many were too quick to write off the influence of Mediobanca and Italy's biggest corporate hitters. The link-up will in effect create a "SuperGemina Mark II" in the textiles and clothing business.

The shares of both Marzotto and HPI – the new company which has taken over Gemina's industrial interests – rose sharply yesterday in an otherwise depressed day on the Milan stock exchange.

The rises reflect the perception that there are significant differences between SuperGemina and the latest merger. Unlike SuperGemina, there is no question of a bail-out and no financial skeletons. There is also a stronger industrial logic to the deal, which aims to create a European textiles and clothing group with L1,000bn ($587m) in Gemina liquid assets to spend on expanding its clothing and luxury goods interests.

Some analysts believe the deal could be the first stage in creating an Italian version of the French LVMH group.

After the SuperGemina fiasco, the first task of the company's main shareholders – Fiat, Mediobanca, Pirelli, Assicurazioni Generali and the other "salotto buono" – was to restore Gemina's profitability.

The company at the weekend reported record net consolidated profits of L210bn for 1996, achieved on the back of strong turnrounds at the GFT textiles group and RCS Editori, the publishing company controlling Rizzoli and the Corriere della Sera, which shocked the markets in 1995 with a L729bn loss.

The second task was to give Gemina a new direction. Over the past year, Mediobanca courted the family-controlled Marzotto group to take a leading role in the revival of Gemina. But Mr Pietro Marzotto, chairman of the textiles and clothing manufacturer, is known as a hard-nosed businessman who rarely invests in businesses without gaining hands-on control. Through acquisitions – including Lanerossi, the textiles subsidiary of the state oil group Eni, and Hugo Boss, the German clothing group – he has built Marzotto into a profitable group with sales of L2,357bn a year.

Mr Marzotto will become chairman of the new Gruppo Industriale Marzotto – the name given to the merger of Marzotto and HPI – with annual turnover of L8,200bn, of which more than L5,000bn will come from the textiles and clothing sector. Hugo Boss will be flanked by HPI's Fila sportswear company and GFT, which manufactures clothes for leading fashion designers such as Armani and Prada.

The Marzotto family will also become the second-largest shareholder in the company with 12.4 per cent, behind Fiat with 17.3 per cent.

The intention is to build a strong textiles and clothing group benefiting from economies of scale, a broad international distribution network, and complementary brands.

However, the new combination still has a whiff of the conglomerate. Through the Gemina investment portfolio, it inherits ownership in RCS, one of Italy's biggest publishing companies; a 20.9 per cent stake in Cartiere Burgo, the Italian paper manufacturer ; a 5.55 per cent stake in the Pirelli tyre and cables group; 8.99 per cent of Credito Italiano, the bank; a 1 per cent holding in Banca Commerciale Italiana; a 1.5 per cent stake in the SMI metals group; and 1 per cent of Assicurazioni Generali, the insurer.

The deal throws up several questions. Where do these interests fit in the industrial logic of the new merged company? What will be the culture of the merged group, and will it be assimilated into the old Mediobanca culture? After all, the managing director of the new company is Mr Maurizio Romiti, a senior Mediobanca executive and the son of Mr Cesare Romiti, the current Fiat chairman, who is often said to be eyeing the Mediobanca chairmanship when he retires from Fiat next year.

As for the other diversified holdings, they are hardly strategic to the industrial vocation of the new group. They are the fruits of the old system of Italian corporate cross-holdings to guarantee stable, defensive shareholding cores that permeate through most of Italian big business.

Should the new group decide to divest itself gradually of these interests, it could raise a substantial war chest to build up its textiles, clothing, fashion and luxury products activities.

Paul Betts

Acquisition helps Israeli retailer to advance 22%

By Avi Machlis in Jerusalem

Blue Square, Israel's largest retailing group, yesterday reported a 22 per cent increase in net income for 1996 on a 30 per cent surge in revenues, fuelled by its investment and acquisition strategy.

"Our strong sales derive from continued strength in our supermarket business and robust growth in our department and specialty store segment," said Mr Yacov Gelbard, president.

He said the company was poised for continued growth in 1997, backed by a $140m investment plan.

Blue Square said investments of $80m in 1996, mostly in new stores, helped boost revenues from $970m in 1995 to $1.26bn last year.

Net income jumped from $26.7m to $32.7m over the same period. Earnings per American Depositary Share (representing 10 ordinary shares) were 98 cents in 1996 compared with 89 cents a year earlier.

Blue Square is one of the few Israeli companies outside the technology sector listed on Wall Street. Its shares edged ahead in early trading yesterday from $15.50 to $15.75.

The group's growth was fuelled by a 16 per cent increase in the supermarket food sales market last year to about Shk25bn ($7.42bn).

Supermarket sales, which made up 76 per cent of the group's revenues, increased 23 per cent in 1996.

Mr Meron Katzap, analyst at Batucha securities in Tel Aviv, said Blue Square's acquisition of the Mashbir Lazarchan nationwide department store chain at the end of 1995 was an important factor in the group's results. The acquisition added about Shk370m to Blue Square's annual revenues, he said.

Group revenues in the fourth quarter climbed 24 per cent from $258.8m in 1995 to $319.7m in the same period last year. Net income jumped 27 per cent from $7.6m in the last three months of 1995 to $9.7m last year.

Earnings per ADS remained unchanged for the quarter at 83 cents, because of an 8.4m increase in outstanding shares following the offering in New York last July.

Successful first issue for new German market

By Andrew Fisher in Frankfurt

Germany's new stock market segment for young, innovative companies opened with a flourish yesterday as shares in its first new issue – MobilCom, a mobile telephone network specialist – began trading at more than 50 per cent above the subscription price.

The shares, which were 100 times oversubscribed, were initially quoted at DM95 on the Neuer Markt (new market), compared with the DM62.50 issue price and advance unofficial dealings of just over DM80. They closed at DM98.

The Frankfurt-based market, which is linking up with similar ventures in Paris, Brussels and Amsterdam to form the Euro.NM, began operations with two listings, the other being Bertrand, an automotive design company. Bertrand has transferred its quotation from the Frankfurt stock exchange's junior market and is not raising new money at this stage.

Utimaco, a small software security company, also plans to issue shares on the Neuer Markt.

Deutsche Börse, which runs the Frankfurt exchange, hopes up to 20 companies will list on the bourse in the first year.

MobilCom, founded in 1993, last year made pre-tax profits of DM12m ($6.98m) on turnover of DM265m. It is raising DM40m through the issue, with private and institutional investors each taking up roughly 50 per cent of the new shares.

Mr Uwe Flach, a director of DG Bank which led the issuing consortium, said foreign institutions – mainly from the UK, Switzerland and the Netherlands – had accounted for 45 per cent of the institutional subscriptions.

In spite of the surge in MobilCom shares, however, Deutsche Börse officials warned it would take time to assess the real impact of the Neuer Markt on the German equity scene.

As well as Nasdaq, the US computerised exchange on which several German companies are now listed, the Neuer Markt and its partner exchanges will also be in competition with Easdaq, the European market run along Nasdaq lines.

EUROPEAN NEWS DIGEST

Santander to build on Brazilian buy

Spain's Banco Santander is set to invest up to $220m over the next three years in São Paulo-based Banco Geral do Comércio, its latest Latin American acquisition. The deal, which has already received preliminary authorisation, is the first Brazilian takeover in a recent wave of acquisitions by Spanish banks in Latin America.

Santander plans to build up the unit as a retail bank, almost tripling its current network of 77 branches to 200. It said this would make it the largest foreign-controlled bank in Brazil. The Spanish bank is buying a stake of just over 50 per cent from the Camargo Corrêa industrial and construction group, which will keep the remainder. The purchase, being made through capital increases, is based on a maximum price of 1.4 times book value, depending on the quality of Banco Geral's loan portfolio. The Brazilian bank had assets of $1.2bn at the end of last year and registered net profits of $3.6m.

Santander said it expected no dilutive effect on its earnings per share, adding that the purchase would make a positive contribution to its results. *David White, Madrid*

VNU to merge magazine units

Dutch publisher VNU yesterday unveiled plans to reorganise its local magazine activities by merging three units and bringing them under one roof. The move will cost 70 jobs from a 1,200-strong workforce in the Dutch magazine operations.

The three units concerned are De Geillustreerde Pers, Uitgeverij Spaarnestad and VNU Telepress. VNU said the merged operation would be divided into 10 strategic business units, each focusing on a specific target group. VNU – which dominates the Dutch consumer magazines market – said the reorganisation was aimed at improving efficiency and flexibility. *Agencies, Amsterdam*

Turkish bank ahead sharply

Iş Bankasi, one of Turkey's largest commercial banks, yesterday reported pre-tax profit for last year up 47 per cent in dollar terms to $950.64m equivalent, against $646.74m in 1995. Assets edged ahead to $6.37bn, underlining a steep increase in profitability. Iş Bankasi, like most private Turkish banks, owes its big profits to its portfolios of high-yielding treasury bills.

Political uncertainty drove yields on treasury bills up to almost 200 per cent early last year, compared with inflation of 80 per cent. Yields later dropped but still posted big returns in real terms. *John Barham, Ankara*

Benetton sells eye wear arm

Italian clothing retailer Benetton has sold its Killer Loop sports eye wear business to Bausch & Lomb of the US. Bausch & Lomb will take on Killer Loop's entire eye wear business, including the design and development facility at Pederobba, Italy. Benetton will retain its interest in Killer Loop clothing, accessories and sporting goods lines. These activities account for about 60 per cent of the unit's turnover, which totalled L100bn ($58.7m) last year. Benetton declined to say how much it would receive for the sale. *AP-DJ, Trevignano*

Postabank seeks investor

Postabank, Hungary's second-largest bank, is seeking a strategic investor from the English-speaking world or east Asia to give a capital injection. It says the investor would take a a stake of between 15 and 40 per cent, at a price of between Ft3.5bn and Ft10bn ($19.7m-$56m). The equity raise will increase the bank's registered capital from Ft16.5bn to a maximum of Ft26.5bn. Postabank has appointed SBC Warburg as adviser.

Postabank is to have its 1996 balance sheet audited by Arthur Andersen – the first time a Big-Six concern has done so. Andersen also reviewed the bank last year for the Hungarian Banking Supervision. A recent run on the bank tailed off last week after some 45,000 clients withdrew Ft24bn in five days on rumours of insolvency. Since then, almost 2,000 new accounts have been opened, the bank said. Postabank had total unconsolidated assets of $2.3bn at the end of 1996. *Kester Eddy, Budapest*

Henkel to lift dividends

Henkel, the German chemicals group, is to ask shareholders to approve an increased dividend for both its common and preference stock at its annual meeting on April 28. It proposes that the dividend for common stock be lifted from DM1.05 to DM1.20 a share, while the payout for the preference shares goes up from DM1.15 to DM1.30. Henkel said it was satisfied with the 1996 results, which it will release next week, and expects further positive developments for the current year. *AFX News, Düsseldorf*

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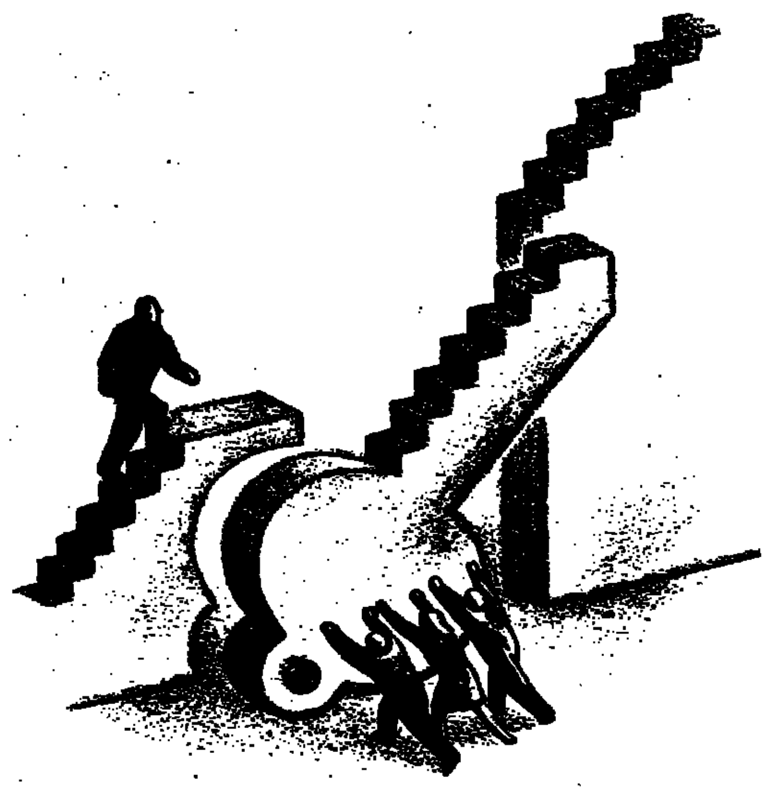
More ways to unlock value



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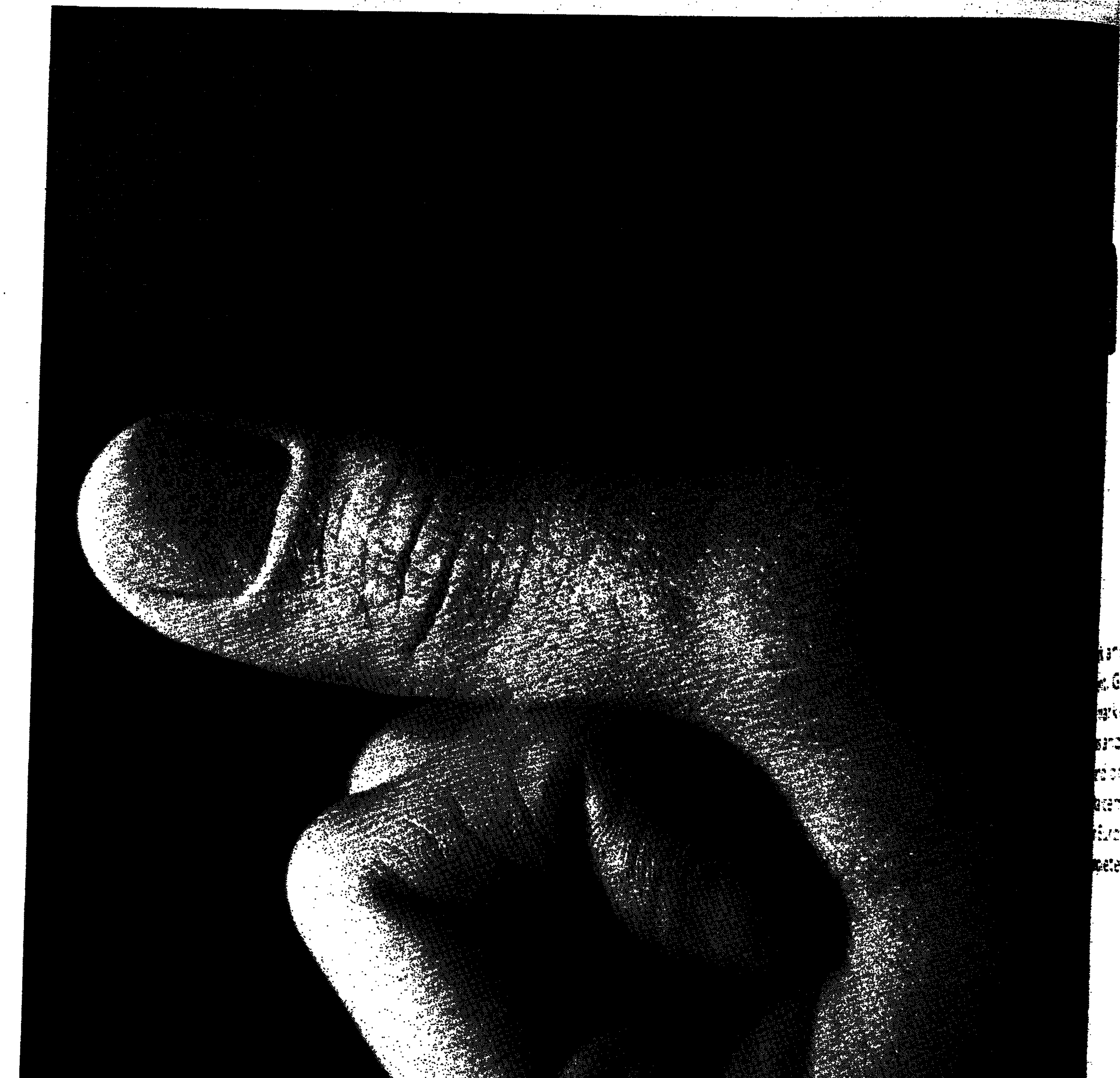

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GE acquires Greenwich Air Services

By Richard Waters in New York

General Electric yesterday further extended its reach beyond its traditional manufacturing operations with the $580m acquisition of the largest independent servicer of aircraft engines in the US.

The purchase of Greenwich Air Services extends the US group's push into services businesses, where growth rates are often higher and profit margins stronger than in its traditional manufacturing businesses.

GE already generates $2.8bn of revenue and employs 6,200 people in its existing aircraft engine servicing unit. This business derives "the vast bulk" of its business from servicing large commercial jet engines built by GE, the company said.

However, it also services engines made by other manufacturers. A facility in Wales, for instance, handles the maintenance of engines on British Airways aircraft, regardless of the maker.

The purchase of Greenwich Air, on the other hand, gives the company a presence in maintaining engines for smaller business jets. This is not a market in which the company has a manufacturing presence, and most of the engines are made by AlliedSignal and Allison, GE said.

Greenwich's presence in the growing business jet market comes through its acquisition of UNC, a company that it agreed to acquire a month ago. Once completed, that deal would give Greenwich around $1.8bn in annual revenues and take its employment level to 8,000 people.

GE said it would issue stock and cash valuing the private company at $31 a share, and assume the company's debt.

The deal will not change the terms of Greenwich's purchase of UNC, which was valued at the time at $345m in cash and stock.

Mr Bill Vareschi, chief executive of GE Engine Services, said the acquisition would bring the company "a broader range of customers", and give it "a presence in the growing business jet aviation services sector".

GE last year increased its income from servicing installed equipment by more than 10 per cent, in part through acquisitions of aircraft engine servicing businesses in Brazil, Malaysia and the Philippines. Revenues from these businesses reached $8.4bn in 1996, the company reported earlier this year.

Extending the company's involvement in servicing was one of the five avenues that Mr Jack Welch, chairman, outlined early last year as ways for GE to maintain the growth it has shown in recent years.

Sidek debt talks extended

By Leslie Crawford and Daniel Dombey in Mexico City

Grupo Sidek, the troubled Mexican tourism and real estate company, yesterday won a temporary reprieve from the threat of liquidation when its largest Mexican bank creditors agreed to extend debt restructuring talks until June.

Mr José Julián Franco, a director of Sidek, said talks between Sidek and its main creditors were continuing, and that a new restructuring plan would be announced in June. Sidek's creditors rejected a previous plan last year.

Mr Franco said Sidek had contracted Lehman Brothers, the US investment bank, to act as the group's adviser in talks with creditors. But Sidek's former financial advisers, Smith Barney of New York, cast doubt on the new talks.

"Mexico's legal system is simply not up to a restructuring deal of this complexity," Mr Robert Martin, a *managing director of Smith* Barney, said yesterday.

Sidek, which suspended debt repayments in 1995 during Mexico's financial crisis, reported a net loss to majority shareholders of 2.43bn pesos ($309m) in 1996. The company's total debt at the end of December was 17.28bn pesos ($2.2bn). About 95 per cent of this had a maturity of less than one year, the company said.

The loss means Sidek and Situr, its tourism and real estate subsidiary, now have negative equity, with liabilities exceeding stockholders' equity and reserves. "Accordingly, under Mexican law, any interested party can request the liquidation of Sidek or Situr through judicial proceedings in Mexico," the company said.

Sidek also said it had detected "significant accounting and other irregularities in relation to actions taken under the management of the previous administration", which was fired last year. A shareholders' meeting had been called for April 8 to report on the irregularities.

Sidek's problems have affected its main creditors, including Banacci, Mexico's largest financial group. Banacci shares dipped on Friday to 17.98 pesos before reaching 19 pesos at the close. Traders said investors were concerned about the effects on Banacci should liquidation of Sidek be sought.

Icahn victory brings uncertain prize

Mr Carl Icahn, one of the most feared corporate raiders of the 1980s, has just notched up his most notable victory of the 1990s so far. And it *could not have come at a* better time, less than a month after the New York-based investor was forced to walk away from an attempted break-up of RJR Nabisco, itself one of the best-known creations of Wall Street's earlier, swashbuckling decade.

Late last week, a group of investors led by Mr Icahn pulled off what appeared to be a victory in the battle over Marvel Entertainment, the legendary comic-book company which has recently fallen on hard times.

While the details have yet to be worked out, the development seemed to wrest control of the company away from Mr Ronald Perelman, the billionaire financier who had controlled it for several years.

Captain Marvel: Carl Icahn (left) used bond holdings to wrest control of the comics group from Ronald Perelman (right) AP

It is far from clear, though, how much profit Mr Icahn will be able to squeeze from this particular victory. That makes it very different from his failure to force a break-up of RJR Nabisco – a "defeat" from which he was able to walk away with $130m in profits for his *$600m investment.*

The Marvel case has served to highlight the very different style with which Mr Icahn has been working in recent years. During the 1980s, he used aggressive tactics to take control of companies – the most famous was TWA – or to force them to pay "greenmail" to persuade him to go away.

More recently, Mr Icahn has built holdings in the bond markets, most often of sub-investment grade companies, and used these to force the hands of under-per*forming companies.*

Marvel, which went into bankruptcy late last year, represents the most successful of these manoeuvres.

By buying a large block of the company's bonds, the Icahn camp has been able to elbow its way into controlling the company outright.

The tactic was made possible by Mr Perelman's move some years ago to issue bonds which were collateralised by his own 80 per cent equity interest in Marvel – a step that enabled him to finance the purchase of the company.

Once the company had defaulted on its interest payments, this opened the way for the bondholders to seize control of the stock. Though Mr Perelman objected, arguing the stock was worthless and therefore could not be seized in this way, he was overruled by a bankruptcy court last month.

Even then, it was questionable whether ownership of stock in the bankrupt company would give Mr Icahn the leverage he needed to dictate its restructuring. But on Friday, Mr Perelman in effect caved in, scrapping *his own restructuring plan* and agreeing to consider the one put forward by the bondholders.

That would involve what the Icahn camp called a "rights issue", giving all shareholders – including the owners of the 20 per cent of the stock which is publicly traded – to participate in a $365m refinancing of the company. Some $300m of this would be used to cut Marvel's debt.

When details of this plan are finally worked out in the coming weeks, Mr Icahn – whose investment company *held a 25 per cent stake in* the bonds – is likely to be left with a significant interest in a company with a chequered record. Whether that translates into a worthwhile profit remains to be seen.

Richard Waters

Fletcher Challenge to sell Timberwest stake

By Bernard Simon in Toronto

Fletcher Challenge Canada, the Vancouver-based forest products group controlled by New Zealand's Fletcher Challenge, has agreed to sell its remaining 52 per cent stake in Timberwest Forest, a lumber producer, for C$348m (US$267.7m).

The deal has renewed speculation about the future direction of Fletcher's Canadian operations, as well as British Columbia's pulp and paper industry.

Mr John Duncanson, a Toronto-based analyst, said Fletcher "would probably like to divest the rest of its BC assets".

One possibility raised by analysts is a merger between Fletcher's pulp and paper operations and the paper business of MacMillan Bloedel, the biggest west coast producer. Fletcher moved into western Canada in the mid-1980s with the purchase of two big paper producers. However, the forestry industry has made little secret of its dissatisfaction with the current investment climate in British Columbia, especially onerous environmental rules and rigid labour practices.

Fletcher created Timberwest as a separate public company in 1993 as a means of spinning off its British Columbia lumber and logging operations.

Under the latest deal, a group of securities dealers led by Goepel Shields offered C$674m in cash, or C$22 a share, for all Timberwest's shares.

The deal scuttles a proposal earlier this year to hive off Timberwest's privately-owned forests into a "royalty trust fund", that pays cash flows directly to investors. The investor group has agreed to sell Timberwest's Mackenzie and Williams Lake wood products businesses to Vancouver's Slocan Forest Products for C$200m.

Fletcher Challenge Canada has one of the strongest balance sheets among Canadian forest-products companies. Its total long-term debt is little more than half the proceeds from the Timberwest sale. Its shares gained 55 cents to C$22.50 in early trading in Toronto yesterday.

Separately, Toronto's Abitibi-Price and Stone-Consolidated, of Montreal, which have agreed on a merger to create the world's biggest newsprint producer, have decided to locate the merged company's head office in Montreal following political outcry.

AMERICAS NEWS DIGEST

Energy Group buys US power trader

The Energy Group, the recently de-merged Hanson energy company, yesterday said it had agreed to pay up to £75m ($120m) for Citizens Lehman Power, a US electricity trader, from Lehman Brothers Holdings and Citizens Energy Corp.

Mr Derek Bonham, the executive chairman of Energy Group, said the deal was the first move towards fulfilling the company's ambition to become "an integrated energy company in the US". Energy Group had also taken a large step "towards becoming a major player in the deregulating US electricity market".

Energy Group will pay £12m up front for the business, with the remainder following in two deferred payments related to net assets and future profits. The Energy Group is the result of the merger of Peabody coal, the largest US coal miner, and Eastern Group, a vertically integrated electricity utility in the UK. In its listing particulars last month that it was in discussions to buy a US energy trading company.

Mr Bonham said Citizens' power marketing resources would fit naturally with Eastern's trading experience in the deregulated UK electricity market and Peabody's coal contracts and relationships with the US electricity industry.

Citizens Lehman, which will be renamed Citizens Power, will focus on electricity trading, risk management, and electricity asset restructuring in the US. Citizens has been a leader in restructuring generation projects, and claims to have provided its customers with $100m of savings. The company has nationwide access to the US electricity market through more than 700 transmission agreements with US utilities. *Simon Holberton*

SKM raises $500m for fund

Saunders, Karp & Megrue, a private New York buy-out *firm, has raised $506m for its second private equity fund,* SKM Equity Fund II. The firm said it had capped the size of that fund at its original goal of about $500m.

The firm said its first private equity fund had achieved returns of more than 80 per cent annually, Typically, SKM invests in private businesses with annual sales of between $60m and $1bn, with owners and managers in place who retain significant ownership. *Tracy Corrigan, New York*

Eletrobras plans share auction

Eletrobras, the Brazilian electricity generator, is to sell 400m common shares combined with the same amount of call options at an auction tomorrow. The sale is being run by BNDES Participacoes, the investment wing of Brazil's National Development Bank.

The shares and options will be sold in lots of 1,000 units for a minimum price which will be equivalent to 104.83 per cent of Eletrobras' average price between 10:30 (13:30 GMT) and 13:30 (16:30 GMT) on the day of the auction's date, according to the published tender documents. Each unit comprises one share and one option.

The shares, which account for 0.88 per cent of Eletrobras' voting capital and 0.74 per cent of the group's *total capital, will be sold at 13:45 (16:45 GMT) on the Rio* de Janeiro Stock Exchange. The financial institutions brokering the deal include Merrill Lynch, BBA Paribas, Garantia, Banco Omega, ING Barings and Banco Bozano, Simonsen. *Reuter, São Paulo*

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CONTRACTS & TENDERS

COMPANIES AND FINANCE: ASIA-PACIFIC

Dah Sing advances 26.5% in year

By Louise Lucas in Hong Kong

Dah Sing Financial Holdings, the Hong Kong-listed banking and financial services group, yesterday reported a 26.5 per cent rise in annual net profits, from HK$476.55m in 1995 to HK$602.61m (US$77.8m) last year.

The results, at the top end of expectations, continue the trend of strong performances *from the territory's banking* sector. However, in keeping *with its peers, Dah Sing* reported a sharp increase in provisions, from HK$65.77m in 1995 to HK$97.8m.

The rise relates less to specific charges for bad debts – which fell 11.7 per cent – than to general provisioning. Dah Sing attributed the rise to the increase in the outstanding loan balance and a decision to set the general loan loss provision at 1 per cent of outstanding loans and advances.

As with other banks in the territory, Dah Sing's results *were lifted by a strong* increase in net interest income, up 23.8 per cent from HK$926.37m to HK$1.15bn. This was caused by growth in loans and deposits and a net interest margin that widened from 3.59 per cent to 3.76 per cent.

Mr H.L. Soo, company secretary, said the rise in interest income was in spite of "keen competition in all major loan and deposit products and a reduction in the mortgage rate spread". It was also helped by growth in higher yielding loan products and a favourable interest rate environment, especially the widening gap between local prime rate and interbank interest rates during the first half of 1996.

The group's life assurance business, which contributed 9 per cent of earnings last year, was lifted by a 30 per cent rise in annualised premiums from new policies.

In January, Abbey National, the UK bank, announced it had bought 5 per cent of Dah Sing for HK$381m. Mr Peter Birch, Abbey National chief executive, was yesterday appointed a non-executive director of Dah Sing.

Earnings per share rose 26.4 per cent from HK$2.09 to HK$2.64. Shareholders are to receive a *special dividend of* 10 cents to mark the group's 50th anniversary, on top of the final dividend of 62 cents. The combined interim and final dividend is up 21.2 per cent on the previous year's 85 HK cents at HK$1.03.

Australian interim results fail to inspire

Listen to federal politicians in Canberra, and Australia is poised for an economic upsurge. Listen to the country's business leaders unveiling an uninspiring set of corporate results over the past four weeks, and things *sound less positive.*

With June year-ends, most Australian companies have been posting interim figures. Their results cover a period when the domestic economy slowed significantly, and *growth on an annualised* basis was running at little more than 2 per cent.

With the results season now in its final week, a survey by the Australian Stock Exchange and Australian *Financial Review has found* that aggregate after-tax profits in the industrial sector are down by about 2.4 per cent on last year. At the pre-tax level, there has been a tiny 0.1 per cent gain.

Mining companies – which account for about one-quarter of the Australian stockmarket – have fared even worse. The ASX-AFR survey found a 26 per cent drop in their after-tax earnings, and *a 25.4 per cent drop pre-tax.*

Explanations for the poor performance vary from sector to sector. Weak results in mining were due largely to lower prices and a stronger dollar. Companies such as *Comalco and WMC suffered* particularly badly, while Pasminco, the zinc producer, achieved flat profits only as a result of cost savings which offset the impact of exchange rates and metal prices.

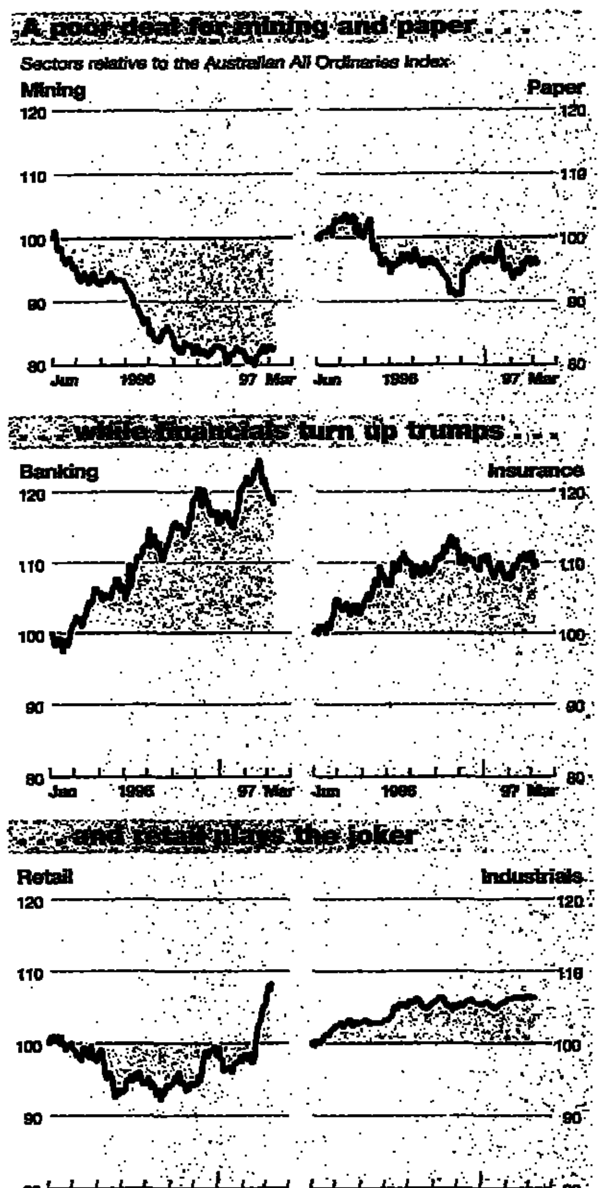
In the industrial sector, meanwhile, many companies have either been squeezed by the domestic market's weakness or affected by higher interest and depreciation charges as they have pursued expansion.

In the building sector Boral saw housing activity decline for the fourth consecutive half and pre-abnormal earnings slip by 20 per cent. Foster's Brewing, by contrast, registered good growth in its core Australian brewing business, but higher finance charges and a swing on abnormal items reduced the overall profits improvement to just 2.4 per cent.

There have been some exceptions. Property and financial services companies have continued to power ahead, with Lend Lease reporting a 14.2 per cent rise in profits. Despite the mortgage price war, Commonwealth Bank also managed an 11 per cent increase.

However, some of the smaller banks have looked less comfortable. BankWest, for example, has warned it will fall short of the profits forecast in its flotation prospectus by 5 per cent.

Perhaps a bigger surprise has been the caution expressed by many executives concerning full-year results. Most private-sector economists and federal politicians think the Australian economy turned the corner at the end of 1996, a conviction supported by better *retail sales and stronger* labour-market trends. Mr Peter Costello, federal treasurer, has said the official forecast of 3.5 per cent growth for 1996-97 is still achievable. Given the low growth in the latter half of 1996, this implies a strong upsurge in the current six months.



Source: Datastream

But there has been little evidence of similar optimism among corporate executives. Amcor, the paper manufacturer, posted a 34 per cent profits fall in the first half and warned it "does not expect trading conditions to change appreciably in January-June in any of the markets in which [it] operates".

In the media sector, Mr Kerry Packer's Publishing and Broadcasting group said its television and magazine units are still operating in "a very soft advertising market" with "little prospect of any significant improvement in the second half".

Even those businesses which foresaw growth in 1996-97 were hardly brimming with confidence. Qantas, reporting a 2.1 per cent increase in first-half earnings, said its target was "to at least match the result reported for 1995-96". Brambles, the transport group, said its rate of profit improvement would probably slow in the second half "because of the difficult trad*ing conditions in Australia* and Europe, as well as a reduced benefit from lower net interest costs".

Some analysts think the caution can be overdone. Mr David Rickards, head of equities research at Macquarie Bank, says that of the first 60 per cent of profits announcements, about 58 per cent were in line with the bank's expectations. Some 27 per cent provided pleasant surprises and only 15 per cent were below expectations.

The bank, he says, is now positive about profit revisions for industrials and he expects a similar change on resources. "Earnings revisions were most negative in April and May last year. The profit momentum is positive," he says.

The stockmarket seems to agree. The All-Ordinaries Index, having risen by about 25 per cent over the past two years to the 2,460 mark, currently stands at record levels. The historic price-earnings ratio, according to Datastream, has edged up from about 15.5 times in February 1995 to about 19 times.

But even Mr Rickards worries that by the time the Australian consumer has regained confidence – say, in late 1997 – central bankers could be tightening monetary policy. In that case, even the tentative profits recovery could be shortlived.

Nikki Tait

Orogen takes stake in gas pipeline consortium

By Nikki Tait in Sydney

Orogen Minerals, which was formed to hold the Papua New Guinea government's interests in many of the country's large resource projects, said yesterday it had taken a 20 per cent interest in the consortium planning to pipe gas from PNG to Queensland in Australia.

The consortium is headed by PNG-based Chevron Niugini. Other parties involved include BHP, Mobil, Oil Search, PNG's MRDC, and Mitsubishi's Merlin Oil.

Orogen, which was floated last year, said the objective of the A$2bn (US$1.58bn) project was to deliver gas into Queensland by 2001. "The consortium is currently seeking expressions of interest from international pipeline companies interested in transporting gas from PNG to Queensland," said Mr Lindsay MacAlister, Orogen chairman.

Queensland, a high-growth state, is expected to require new energy sources by the turn of the century.

Orogen already owns a 15.75 per cent stake in the Chevron-operated Kutubu oilfield and is acquiring a 20.5 per cent stake in Gobe project. These two fields would supply the gas.

Orogen's involvement in the pipeline project was revealed as it announced an after-tax profit for the eight months to end-December of K16.4m (US$11.85m), compared with a prospectus forecast of K12.6m.

Profit after tax and abnormals was K22m, a result of a K5.53m abnormal gain on the conversion of last year's share-sale proceeds into kina.

ASIA-PACIFIC NEWS DIGEST

Japan finance group bankrupt

Koei Corporation, a Tokyo-based non-bank finance company closely linked to the Industrial Bank of Japan, *became Japan's largest bankrupt so far this year when it* filed for special liquidation in the Tokyo District Court on Monday. Koei's debts stand at Y264.1bn ($2.17bn), making it the ninth largest bankruptcy among non-bank lenders, according to Teikoku Data Bank, a private credit research agency. The company is capitalised at Y1.6bn.

Koei was set up in 1981 as a nominally independent company and attracted investment from leading commercial and regional banks as well as the Industrial Bank of Japan. The company was initially so successful, with profits peaking at Y3.1bn in 1991 on revenues of Y23.7bn, that it sought a Tokyo Stock Exchange listing.

By March 1993, with the collapse of property prices, most of the company's loans were already deemed non-performing, and Koei reported a recurring loss of Y12.5bn. A subsequent restructuring plan initiated by IBJ failed and by last March net losses had ballooned to Y31.4bn, while revenues had dwindled to Y4.1bn.

Jonathan Annells, Tokyo

Fort Bonifacio site sold

Metro Pacific, the Philippine arm of Hong Kong's First Pacific group, yesterday announced it was selling its affiliate's majority interest in a 64 hectare site within Fort Bonifacio, one of the world's largest property developments, for 20.3bn pesos ($771m). The site went to Fort McKinley Holdings, a consortium including companies involved in property development, cement manufacturing, banking and investments.

Fort Bonifacio Development Corporation, which is 55 per cent owned by a private consortium led by Metro Pacific, is selling its 75 per cent interest in two companies which hold the land. The bulk of the land sold, valued at 42,250 pesos a square mile, will be converted into an *18-hole golf course and country club. The remaining 16ha* will be used for residential, commercial, sports and recreational purposes. FBDC has a 214ha share of the 440ha Fort Bonifacio site.

Fort Bonifacio plans to create a business centre double the size of Makati, Manila's central business district. Last year FBDC sold lots of 16ha at 180,000 pesos a square mile, compared *with its acquisition price of 33,288 pesos* a square mile. It reported net income of over 1bn pesos in 1996.

Justin Marozzi, Manila

Beijing Datang seeks HK$3bn

Beijing Datang Power, which is due to be the first Chinese state-owned enterprise to secure a listing on the London stock exchange, yesterday said it planned to raise up to HK$3.13bn (US$404m) in an international equity offering. Beijing Datang, which is seeking a secondary listing on the London stock exchange and primary listing in Hong Kong, says it will offer 1.244bn H shares at a maximum price of HK$2.52 each. H shares are those of Chinese enterprises listed on the Hong Kong stock exchange.

The pricing puts the stock on a fully diluted price earnings multiple of 12 times. According to the prospectus released yesterday, Beijing Datang is forecasting net profits this year of HK$1.02bn, against HK$858m estimated last year.

Some 10 per cent of the new H-shares are to be offered in Hong Kong, and the remainder will be distributed internationally. Morgan Stanley is global co-ordinator and lead manager of the issue.

Louise Lucas, Hong Kong

Profits fall at China Steel

Unaudited pre-tax profits at China Steel, Taiwan's biggest steelmaker, fell 16 per cent to T$10.45bn (US$380m) in the eight months from July 1996 to February 1997, as steel prices declined. Sales slid from T$56.51bn a year earlier to T$55.12bn, the company said, in spite of a rise in volume. The result was in line with expectations, given the depressed state of the steel market last year following a bumper year in 1995, industry analysts said.

It is unlikely that domestic steel prices will improve this year, as China Steel and Yieh Loong, the country's second-biggest steel producer, are both adding capacity, analysts said. They warned this could create over supply later this year, leading to price competition – depending on whether overseas markets can absorb the excess. Downstream producers may benefit from the price slump, as China Steel may be forced to pass on some of its profits to customers to "keep them happy" suggested one analyst. China Steel, previously state-run, was privatised in April 1995.

Laura Tyson, Taipei

David Jones chief quits

Mr Chris Tideman, the British retailing executive brought in to head Australia's David Jones department store group three years ago, resigned unexpectedly yesterday. The company, which was spun off from the troubled Adelaide Steamship group and floated on the stock market in 1995, said that Mr Tideman was leaving for "personal reasons" and was returning to the UK. Mr Dick Warburton, *chairman, said that* the company would be making a statement about a new chief executive "in the near future".

David Jones, the more up-market of the two big department store groups in Australia, has had a bumpy ride since it floated. A weak retail market caused it to revise downwards its prospectus forecasts for 1995-96, and its shares – which closed one cent *lower yesterday at* A$1.71 – have fallen below the A$2 a share flotation price. Two months ago, it also warned that first-half profits for the 26 weeks to January 25 would be "significantly lower" than in the previous year. These results are due to be released tomorrow.

Before moving to Australia, Mr Tideman worked for the Burton group, and was chief executive for Burton Retail and Principles for Men.

Nikki Tait, Sydney

News Corp may sell mill stake

News Corporation, the media and entertainment group controlled by Mr Rupert Murdoch, confirmed yesterday it was considering selling its 50 per cent interest in *Australian Newsprint Mills, the newsprint manufacturing* business which supplies around 70 per cent of the domestic market.

Nikki Tait

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

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LAW

Court backs WWF case

EUROPEAN COURT

A European Commission decision refusing the World Wide Fund for Nature access to documents relating to a building project in Ireland was insufficiently reasoned and must be annulled, the European Court of First Instance ruled last week.

In 1991, the Irish authorities announced a plan to build a visitors' centre at Mullaghmore in the Burren National Park using European structural funds.

WWF complained to the Commission that the project would infringe European environmental law and involve a wrongful application of structural funds.

The Commission opened an investigation but in October 1992, it said it did not intend to initiate infringement proceedings against Ireland because the project did not infringe European environmental law.

In November 1994, WWF wrote to the Commission requesting access to all documents on the Mullaghmore project, and particularly those relating to structural funds. The Fund relied on Commission Decision 94/90 on public access to Commission documents.

In February 1995, the secretary-general of the Commission wrote to WWF refusing access and giving reasons.

WWF argued that the Commission decision should be annulled because it breached Decision 94/90 and was insufficiently reasoned.

The Court noted that although Decision 94/90 was a series of obligations which the Commission had voluntarily assumed, it was capable of conferring on third parties legal rights which the Commission was obliged to respect.

The Code of Conduct adopted under Decision 94/90 set out the general principle that the public should have the widest possible access to documents held by the Commission, but contained a series of exceptions.

Those exceptions were either mandatory or discretionary, and where the Commission exercised its discretion to refuse access it had to strike a balance between the interest of the citizen in obtaining access to documents and its interest in protecting the confidentiality of its deliberations.

It was also entitled on public interest grounds to refuse access to documents relating to investigations which could lead to an infringement procedure, even where a period of time had elapsed since the closure of the investigation.

However, the Commission could not confine itself to invoking the possible opening of an infringement procedure as justification, under the heading of protecting the public interest, for refusing access to all the documents requested.

It was required to indicate, at the very least by reference to categories of documents, the reasons for which it considered the documents were related to the possible opening of an infringement procedure.

The duty to give reasons for every decision enshrined in the Treaty of Rome permitted interested parties to know the justification for a measure in order to enable them to protect their rights, and also enabled the European judicature to exercise its power to review the legality of a decision.

The contested decision and the letters which had preceded it did not indicate that the Commission had fulfilled its duty to undertake a genuine balancing of the interests involved. It gave no indication of the Commission's reasons for considering that the documents covered by the request all related to a possible infringement proceeding.

The decision therefore failed to meet the requirements to state reasons laid down in the treaty and should be annulled.

T-105/95 WWF UK v Commission, CFI 4CH, March 5 1997.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

French media shake-up

André Rousselet, the founder of Canal Plus, the French pay television station, has resigned his seat on the supervisory board of the group in the wake of a restructuring of its shareholding.

The change marks the end of an era for Rousselet, a close friend of the country's former socialist president François Mitterrand and the founder of Canal Plus in 1984.

But it is only one consequence of a wide-ranging shake-up in France's media sector. In a related move, Jérôme Monod, chairman of Lyonnaise des Eaux, the French utilities and communications group, has resigned from the board of Havas, the communications group, which has become the largest investor in Canal Plus in the wake of the same restructuring.

Under the terms of a complex deal announced in early February, Générale des Eaux, one of Lyonnaise's principal rivals, will become the dominant investor in Havas, which – thanks to a shareholder pact with the bank Société Générale – will hold nearly 40 per cent of Canal Plus.

Monod had objected to the terms on which the deal took place, as well as the fact that Havas directors had not been informed in advance except by what they read in the press.

However, Lyonnaise held only a modest stake in Havas, with its communications strategy based around other activities including M6, a rival television station, and a strong participation in TPS, a new set up to compete with Canal Satellite, which is controlled by Canal Plus. *Andrew Jack, Paris*

Polish banking boost

Bank of America's Warsaw team, headed since last year by Daniel Wood, is to be strengthened by three new executives, in anticipation of the bank getting an operating licence from the National Bank of Poland (NBP), the central bank. This will be the second US bank in Poland after Citibank established its subsidiary in 1991.

Wood, a veteran of Poland's commercial debt reduction agreement signed in October 1994, when Bank of America co-chaired the London Club team, has been involved with matters Polish since 1986. The bank's move to set up a wholesale banking subsidiary in Poland – to supplement its equity trading and cross-border financing activities – recognises that Poland, as Wood says, is a "big and growing market".

Eric Fay, who is the bank's relationship manager, is already *in situ* while Alex McInness, with experience in Germany, Ireland and Denmark, is preparing to move out of London to be head of Warsaw operations. Olivier Kintgen, who traded interest rates for the bank in Paris will be the country treasurer while Abbas Hasan the head of Bank of America's Islamabad branch is to be the credit manager. *Christopher Bobinski, Warsaw*

Board moves at LGT

The recent comings and goings in the boardroom of Liechtenstein Global Trust, a private banking and fund management group, are reminiscent of a royal court – hardly surprising, as it is controlled by the Liechtenstein royal family. In November Prince Philipp von und zu Liechtenstein, the chairman and chief executive, cut the size of his board from 14 to five. Now he has promoted Anton Schwaiger, an Austrian and head of private banking, to the post of president and chief operating officer.

The reshuffle has coincided with the departure of David Minella, an American who headed the asset management business. He joined the board at the time of LGT's $91.5m acquisition of GT management, a UK fund manager, in 1989. His leaving is not a total surprise as GT's recent performance has been disappointing and, following LGT's recent $350m acquisition of Chancellor, a US fund manager, Chancellor's executives were given two of the plum jobs in the enlarged asset management business. Warren Shaw was made chief investment officer and Penny Zuckerweise was made chief operating officer.

However, LGT's decision not to replace Minella and put Schwaiger in charge of both private banking and fund management has surprised analysts, and LGT's decision to centralise responsibility for the bank's two main businesses in one person contrasts with the trend in other banks, which are increasingly separating private banking from fund management. Rolf Wickenkamp, a German, has taken over as chief financial officer following the death of Klaus Rütschi. *William Hall, Zurich*

Czech beer industry

Mervyn Childs, the plain-speaking Englishman who led the drive by Bass into the Czech brewing industry in the past three years, is returning home to head the UK brewing group's leisure machine services unit.

As Bass's man in Prague and as chief executive of Prague Breweries, Childs has been the most prominent foreign figure in the tightly-knit and insular Czech brewing sector. His frequent comments on the industry's poor profitability and tendency to believe its own myth have often caused controversy, though even his local critics acknowledge that he was telling no more than the truth.

Graham Staley, executive vice president and chief financial officer of Holiday Inn Worldwide, Bass's hotels division, replaces Childs as head of the Czech operations. Prague Breweries is the country's third largest brewing group with about 14 per cent of domestic production and a strong position in the export market. *Vincent Boland, Prague*

ON THE MOVE

■ NIKKO SECURITIES has made a series of senior management changes, including the appointment of Masashi Kaneko as executive deputy president at NIKKO SECURITIES. Michel de Carvalho, joint chairman of Nikko Europe since April 1995, has been given responsibility, together with joint chairman Tadao Osada, for running Nikko's European operations.

In London, Brian Berry and Gen Yamaguchi have been promoted to joint chief executives of Nikko Europe, replacing Jun Okano who is moving to Hong Kong to become head of Nikko's Asian and Oceanic operations. Kenji Yoshibayashi is coming to London as managing director of fixed income & money markets and Hiroyuki Fukushima is joining as managing director of equity trading.

Hiromi Kondo and Michael Gairin have been appointed as joint presidents of Nikko France, replacing Minoru Yamamoto, who returns to Tokyo. José Nestola has been appointed president of Nikko's office in Spain, replacing Koji Tanaka who is joining Nikko Bank (Switzerland) as executive vice-president. Rainer Schmitt has been appointed deputy managing director of Nikko in Frankfurt, and will continue in his current role as head of the Berlin office.

■ Bernard Kastory, Richard Bergeman and Axel Krauss have been appointed senior vice-presidents of CPC INTERNATIONAL, the US food company, and Rainer Mimberg and John Langdon vice-presidents of the corporation. Kastory becomes senior vice-president, finance and administration and Mimberg becomes vice-president finance.

■ Sandy McGovern has become president of the National Geographic Channel, a newly formed joint venture between National Geographic Television and NBC which is anticipated to launch in 1997.

■ Christoph Rommel has joined VEREINSBANK in London; he has been with the bank since 1978. After seven years in London, former head Constantin Graf zu Stolberg will return to Germany to run Vereinsbank's operation in Cologne.

■ Carl Bennet, chief executive of GETINGE INDUSTRIER, is resigning his position at the company's annual general meeting on April 28 and will become chairman. Johan Malmquist, at present deputy chief executive with responsibility for the business areas Arjo and Disinfection, will succeed Bennet as chief executive.

■ At its April 25 annual general meeting AKZO NOBEL will propose the appointments of Maarten van Veen, chairman of Hoogovens management board and Paul Bremer, former US ambassador to the Netherlands, to its supervisory board.

■ ARTHUR D. LITTLE, the global consulting company, has announced the appointment of Eric Belot as managing director at Arthur D. Little, France, and François Jeannet as managing director at the company's operations in Switzerland.

■ Mak Puay Hoon has been appointed executive director of KEPPEL SECURITIES. Prior to this she was Keppel Securities' dealing manager.

■ DEUTSCHE MORGAN GRENFELL has appointed Dewey Yee as its regional head of international leasing and asset-based finance and Peter Schneider as its regional head of special products.

■ MITSUI LIFE INSURANCE has appointed senior managing director Akira Miyake as president, replacing Koshiro Sakarta who will become chairman, effective April 1.

■ The Spanish supermarket chain SANTA ISABEL has appointed finance manager Jaime Perry as chief executive, replacing the company's founder Eduardo Elberg who has stepped down.

■ NAKAYAMA STEEL WORKS has appointed Masahisa Kozaki, former vice-president of Nippon Steel Corp, as president.

■ FIRST SAVINGS BANK has announced the retirement on June 30 of Patrick Nilan, chief executive and president of the bank and of Bayonne Bankshares M.H.C, the mutual holding company of the bank.

■ Leslie Martin has been appointed chief operating officer of WESTPAC BANKING.

■ Gerard Jousset becomes managing director of IBM GLOBAL SERVICES' new entity for France, Belgium, Luxembourg, the Middle East and Africa and joins the board of IBM France. He also becomes chairman of CGI, the IBM computer engineering and services subsidiary, and retains his duties as chairman of Axone, a subsidiary of IBM specialising in facilities management, a post he has held since 1993.

■ PHILIPS ELECTRONICS, the Dutch electronics company have announced that Jan Tolenaar is resigning as executive vice-president and member of the managing board, for personal reasons, on July 1.

■ Stephen Koskinas has been appointed by ALUMAX ENGINEERED METAL PROCESSES, a wholly-owned subsidiary of Alumax Inc, as general manager.

■ THE INTERNATIONAL FINANCE CORPORATION has appointed Rauf Diwan as the director of the power department, and Declan Duff as the director of the department of telecommunications, transportation and utilities.

■ Alain Galliano has been appointed managing director of MAISON DE LA FRANCE, the body responsible for promoting France abroad, by Minister of Tourism Bernard Pons. Galliano, managing director of the French overseas trade centre in Lyon since 1993, replaces Jean-Marc Janaillac, who has moved to AOM.

■ The board of RADIO IRELAND has approved the appointment of Dick Hill as its new chief executive.

■ Tomijiro Morita has been appointed president of DAI-ICHI LIFE INSURANCE, replacing Takahide Sakurai who will become a chairman of the board, with effect from April 1. Morita was previously executive vice-president with responsibility for retail operations and investment management.

■ Stanley Hui succeeds Philip Chen as chief executive of DRAGON AIRLINES.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

COMPANIES AND FINANCE: UK

Laporte achieves 12% advance in spite of almost static turnover

By Jenny Luesby

Laporte, the speciality chemicals company, yesterday surprised investors with a 12 per cent rise in underlying profits, despite almost static sales, and claimed the advance as the reward for last year's restructuring.

The figures were for the first full year since Mr Jim Leng took over as chief executive and replaced its entire executive team.

Over the year, Mr Leng disposed of almost a quarter of the company, saying that 114 acquisitions over 15 years had seen Laporte lose both focus and direction.

There were still further disposals to come, said Mr Leng yesterday. However, the group's main emphasis would now be on acquisitions, on which it could spend up to £400m ($652m).

Last year, the group's sites were cut by a third, and staff by a quarter, to 5,500. Group sales fell by 1 per cent to £1.08bn.

On a continuing basis, and including acquisitions, sales rose by 11 per cent. At the same time, margins rose from 11.8 to 12.9 per cent.

At the pre-tax level, profits rose by 12 per cent to £127m excluding exceptional items, and by 221 per cent to £78.7m after exceptionals.

Operating profits on continuing businesses rose 18 per cent to £117.6m. About a third of this increase was due to acquisitions, said Mr Michael Kayser, finance director.

Mr Leng said the group had raised £165m through disposals. It ended the year with net cash of £13m, compared with net debt of £180m previously.

Meanwhile, it had gained £5m of sales and £100,000 of profits through currency movements.

However, at the exchange rates prevailing in the fourth quarter, its sales would have been £50m lower, and profits £5m lower.

There is a 9 per cent increase in the final dividend, to 15.75p, lifting the total by 5 per cent to 24.25p. Earnings rose 13 per cent to 46.9p (41.5p), excluding exceptionals.

Brendan Corr

Jim Leng (left) and Michael Kayser: acquisitions brought in a third of operating profit rise

Cellnet chief in surprise departure

By Alan Cane

Mr Howard Ford, managing director of Cellnet for the past 30 months, left the mobile phone operator unexpectedly yesterday.

Neither he nor British Telecommunications, which holds a majority stake in Cellnet, would comment yesterday, except to say the parting was amicable and by mutual agreement.

BT said in a statement that Mr Ford had decided to: "pursue his career outside Cellnet and the BT Group". It went on to wish him well for the future.

It is believed, however, that Mr Ford is to take up a position with a rival to BT, although not necessarily in mainstream telecoms.

Now 45 years old, he has broad experience in information technology. Before joining Cellnet in 1994, he was responsible for IBM's personal computer business in Europe, the Middle East and Africa, based in Paris. He was also a non-executive director of Phonelink, the on-line information service, and of QA Training. He gave up these posts on joining Cellnet.

Cellnet, which trailed Vodafone, the market leader, in the early days of the UK cellular market, has consolidated its position under Mr Ford's leadership, *emphasising the extent and* quality of its network and accelerating measures to persuade customers to move from the older analogue network to the modern and more efficient digital systems. It now has more than 1m digital customers.

Mr Simon Moffat, finance director, is taking over as acting managing director.

Handheld computer maker raises pre-tax profits 38% to £16m

Psion plans 32-bit machines

By Paul Taylor

Psion, the leading handheld computer manufacturer, plans to launch two machines this year based on its next-generation 32-bit technology.

At least one is expected to be a highly sophisticated pocket PC capable of wireless digital communications.

Mr David Potter, Psion's chairman, outlined the new product and software licensing strategy alongside a 38 per cent increase in full year pre-tax profits to £16m (£11.65m).

The figure was struck after a exceptional charge of £1.52m to cover the costs of Psion's aborted takeover approach to Amstrad.

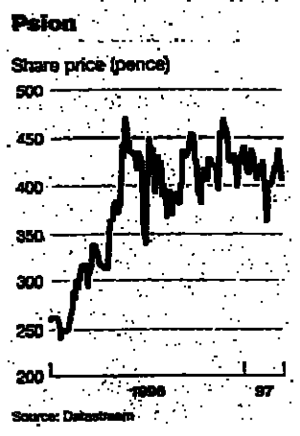
Turnover in the year to December 31 increased 37 per cent to £124.2m (£90.55m) and gross margins held steady at 41 per cent.

Earnings per share increased to 14.57p (10.75p). Psion plans a final dividend of 1.6p (1.17p) making a total of 2.25p (1.67p) for the year.

Mr Potter said that 1997 would be "a period of transition", as Psion began to roll out a variety of machines designed to carry the company to the end of the decade.

Psion has spent over £30m developing the new EPOC32 systems which will be sold alongside new models of its highly successful Series 3 handheld PCs also due to be launched this summer.

Mr Potter also said that the company is close to signing licencing deals with a number of companies for its new 32-bit operating system which could be used in a variety of devices including network computers and smartphones. However, these deals would not affect this year's results.



● CMG, the Anglo-Dutch computer services group, yesterday highlighted the recent strength of the European market for computer software and services by reporting a 37 per cent rise in full year pre-tax profits.

CMG's shares closed up 85p at £12.55p. Just 15 months ago the company floated at 290p.

Pre-tax profits rose from a £18.46m that included a £1.6m exceptional charge, to £27.5m on turnover up 25 per cent at £245.2m.

In the Netherlands, sales rose 35 per cent to £172m while operating profits grew 38 per cent to £27.1m. UK sales advanced 9 per cent, reflecting the group's withdrawal from the share registration market. Operating profits jumped 69 per cent.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ardagh ♣	6 mths to Dec 24	20.3	(19.9)	3.31	(2.9)	7.98	(7.25)	1.155	April 11	1.05	-	4.649
British Vita	Yr to Dec 31	895.8	(875.6)	57.2♠	(35.7♠)	16.8	(10)	4.25	May 12	3.95	8.25	7.95
Bruntcliffe Agg	Yr to Dec 31	27.9	(24.2)	1.53♠	(1.38)	1.8	(1.7)	0.85	July 1	0.85	1.25	1.25
Calderburn	Yr to Dec 31	40.6	(61.1)	1.62♥	(3.74L♠)	3.12	(8.96L)	nil	-	nil	nil	2.9
CMG	Yr to Dec 31	245.2	(196.5)	27.52	(18.46)	27.4†	(18.2)	4	May 20	3.2	6	4.45
Culver Hlgs	Yr to Dec 31	77	(60.3)	0.315	(0.396L)	3.96	(12.5L)	4.25	July 14	4.25	7.5	7.5
Domestic & General	6 mths to Dec 31	42.2	(36.36)	5.9	(5.39)	56.21	(52.05)	14.5	May 8	12.25	-	40.25
Fairey	Yr to Dec 31	246.6	(196.3)	43.97	(34.19)	32	(27.4)	6.15	June 13	5.45	9	8
First National ♣	Yr to Dec 31	28.18	(24.11)	-	(-)	-	(-)	-	-	-	-	-
IMI	Yr to Dec 31	1,316	(1,322)	161♥	(87.2♠)	31.5†	(16.4)	8	May 19	6.9	13	11.5
Ind Brit Healthcrφ	Yr to Sept 30	37.76	(38.3)	1.01♠	(8.17L♠)	4	(32L)	0.5	Apr 17	-	1	-
Intrum Justitia	Yr to Dec 31	104.2	(86.71)	16.75	(15.67)	12.7	(10.2)	2.8	June 6	2.4	4.1	3.6
Laporte	Yr to Dec 31	1,063	(1,067)	78.7♠	(24.5♠)	21.1	(4.3)	15.75	May 29	14.5	24.25	23
Persimmon	Yr to Dec 31	451.2	(249.4)	33.1	(22.8♥)	15.2	(13.5@)	6.5	April 28	6.5	9.5	9.5
Persona	Yr to Dec 31	146.9	(53.4)	6.01	(2.83)	17.2†	(14.4)	4	May 30	3.36	5.7	4.8
Polypipe	6 mths to Dec 31	93.1	(94.2)	11.3	(9.76)	4.65	(4.06)	0.92	April 30	0.83	-	2.97
Premier Oil	Yr to Dec 31	138.8	(85.1)	45.3‡	(25.1)	4.44†	(2.63)	0.55	May 16	0.5	0.55	0.5
Psion	Yr to Dec 31	124.2	(90.5)	16♠	(11.6)	14.57	(10.75)	1.6	May 16	1.17	2.25	1.67
Relyon	Yr to Dec 31	64.8	(48.2)	7.02♠	(5.83♥)	21.5	(18.3)	7.5	April 28	5.3	10	7.5
Sanderson Bramall	Yr to Dec 31	599.7	(516.8)	12.3	(9.29)	24.36	(20.09)	3.2	May 1	2.67	4.8	4
Sidney (Charles)	16 mths to Dec 31	325.91	(186.39)	6.03	(3.65)	10.1†	(7.3)	2.8	July 1	2.4	4.2	3.7
Spirax-Sarco	Yr to Dec 31	272	(251.3)	47.1	(43.1)	38	(33.8)	10.3	May 19	9.2	14.8	13.2
Treats	*Yr to Dec 31*	*22.3*	*(22.2)*	*1.42*	*(2.45)*	*8.8†*	*(16.8*)*	*1.5*	*May 1*	*-*	*3*	*-*
Wassall	Yr to Dec 31	971.4	(972.9)	53.1♥	(57.5♥)	19.4	(19.5)	5	May 5	3.95	7.1	5.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beacon	6 mths to Dec 31	142.42	(126.95)	0.205	(0.195)	1.08	(1.02)	-	-	-	-	1.6
Candover	Yr to Dec 31 ★	635	(464)	3.96♠	(4.48)	17.67	(20.03)	10.25	May 22	8.75	15	13.25
Exmoor Dual	6 mths to Feb 28 ★	41.55	(24.9)	0.179	(0.362)	2.03	(4.11)	1.65☆	May 30	1.6	3.3	3.2
Central European $	Yr to Dec 31	123.03	(73.98)	0.972L	(1.39)	0.46L	(0.66)	nil	-	0.6§§	nil	0.6
Govett Emerging	6 mths to Dec 31	115.7	(128Ӂ)	0.075	(-)	0.21	(-)	-	-	-	-	0.3
Guinness Flight	3 mths to Jan 31	116.26	(103.8♦)	0.289	(-)	1.45	(-)	1.75	Apr 4	1.25	-	7.68

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. φAim stock. *Pro forma. @Restated. ‡After tax. $US currency. ♣Irish currency. ӁAs at June 30, 1996. ★Comparatives restated. §§Gross. ♦As at Oct 31, 1996. ☆2nd interim.

Premier to go on exploring despite Albania

By Jane Martinson

Premier Oil said yesterday that the political upheaval in Albania would not alter its decision to step up its exploration drive this year, as it reported an 80 per cent rise in 1996 net income to £45.3m ($73.8m).

Mr Charles Jamieson, chief executive of the UK oil independent, said the Albanian turmoil had not caused any interruption to its development programme in the country, although the company had had to evacuate four expatriate staff from oil fields to Tirana, the capital.

Albania is one of the group's four key drilling areas for 1997 – the others are Burma, Cuba and Indonesia.

Premier plans a big increase in production in Albania, while also selling part of its 43 per cent stake in a joint venture there to another international oil group.

Annual spending on exploration and production is set to jump from £52m to £80m.

Mr Jamieson admitted that 1996 "was not a brilliant one" for exploration, as the company had focused on acquisitions and changing its portfolio.

Mr Steve Lowden, international operations director, added that "1996 was the year of acquisition and cash-flow and 1997 will be the year of exploration".

An oil price, which was on average 18 per cent higher than in 1995, was the main driver for last year's profits.

Increased production contributed a quarter of the 80 per cent rise and acquisitions about 10 percentage points.

The group spent £114.6m on acquisitions in Australia, Indonesia and Pakistan last year.

Sales rose 63 per cent to £138.8m (£85.1m), while operating profits increased 85 per cent to £76.1m (£41.2m).

Cash flow after interest and tax rose 70 per cent to £62.4m.

A dividend of 0.55p, up 10 per cent, is payable from earnings up 69 per cent to 4.44p (2.63p).

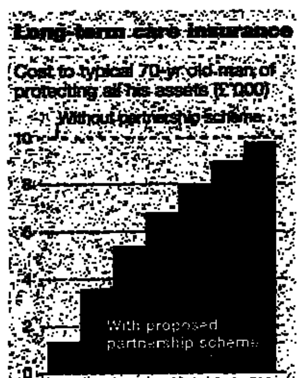
Net debt of £160m gave gearing of 57 per cent, up from 29 per cent in 1995.

The shares edged up ¼p to 37½p.

LEX COMMENT

Long-term care

To the casual observer, Britain's government appears to be spending what may be its dying weeks unravelling the welfare state at bewildering speed. Yet do not be fooled by yesterday's apparently radical wheeze from Mr Stephen Dorrell, the health secretary. His "partnership" plans will do nothing to cut the cost of long-term care to the taxpayer. In fact they will add to it. Why? Because the target group for the new subsidised policies is not people the state would otherwise have been looking after; rather it is those who would otherwise be selling assets to look after themselves. If anything – especially since the means-testing threshold was recently doubled – this particular frontier of the state is being rolled forward, not back.



Still, that need not bother the potential beneficiaries; not just the asset-rich elderly, but nursing home groups and insurers would benefit if the new scheme were to spread. And even if the government's proposals are not all the industry wanted, they would still open up a big new market.

Insurance of the Dorrell variety could conceivably make sense for maybe 1m retired people who cannot afford the present expensive products. The difficult part, however, would be persuading even a small proportion of that number to buy. Consider that long-term care insurance has so far been a dismal flop in the UK – just 20,000 policies have been sold since 1991 – and this looks likely to be an uphill struggle.

Sterling's strength restrains Spirax

By Tim Burt

Spirax-Sarco Engineering, the steam equipment manufacturer, yesterday reported pre-tax profits up 9 per cent, from £43.1m ($70.3m) to £47.1m in spite of adverse currency movements and mixed demand in some markets.

The company, announcing its 29th year of profits growth, said that operating profits rose from £44m to £48.2m on sales of £272m (£251.3m) in 1996.

Mr Chris Tappin, chairman, said that it was a creditable performance given the recent appreciation of sterling and difficult trading conditions in countries such as Brazil, where profits halved to £1.7m.

Nevertheless, he predicted solid growth this year as the group enjoyed the benefits of sharply increased capital expenditure, up 31 per cent to £19.4m.

"That will lead to improved productivity in 1997 and create more capacity for steam equipment, where we are still the world leader," he added.

Mr Tappin was speaking after the group reported operating profits up to £13.4m (£11.8m) in the UK and to £13.8m (£11.3m) in continental Europe.

That result helped off-set a weaker performance in the Americas where operating profits fell to £9.65m (£10.8m).

The Asia, Australasia and Africa division reported modestly improved operating profits of £11.9m (£10.7m).

Earnings per share rose from 33.8p to 38p, helped partly by a tax charge that declined from 36.8 per cent to 34.2 per cent.

The group has recommended a final dividend of 10.3p, making a total of 14.8p for the year. This compares with a total of 13.2p last time.

The shares closed up 8½p at 653½p.

INTERNATIONAL CAPITAL MARKETS

Gilts rise on drop in producer prices

GOVERNMENT BONDS

By Edward Luce and Samer Iskandar in London and Tracy Corrigan in New York

UK gilts strengthened markedly yesterday on news of an unexpected drop in UK producer prices for February and predictions that the UK was on course to hit its 2.5 per cent inflation target for 1997.

Speaking in Basle, Mr Eddie George, the governor of the Bank of England, said the UK's inflation performance was on track to hit short-term targets. Producer input prices fell by 0.9 per cent in February, against market expectations that they would be unchanged for the month.

The short sterling contract rose by 20 basis points to 93.60, indicating that the markets were not expecting UK base rates to rise by more than 25 basis points before June. In London the June long gilt future rose by ¾ to close at 111⅞.

"Most of the rally can be attributed to good UK fundamentals rather than worries over Emu," said Ms Sonja Gibbs, market strategist at Nomura International. "If there are worries that Emu might be delayed, then the UK's 'safe haven' status doesn't seem so important."

Italian bonds remained under pressure from uncertainty over the feasibility of a mini-budget in spring.

Speculation that the budget would only achieve fiscal tightening of around L8,000bn instead of the estimated L14,000bn required to meet Emu targets helped weaken BTPs.

The June eurolira future dropped 0.05 to 93.12. June futures on 10-year BTPs fell 0.40 to close at 127.20 in London. "There is some concern that the Italian government will not be able to summon the political strength to push a tough mini-budget through in the spring," said Mr Andrew Bevan, senior bond economist at Goldman Sachs in London.

Dutch bonds ignored a rate rise by the central bank, which was viewed as a technical measure aimed at bringing interest rates into line with those of the Bundesbank.

The Bank raised its special advances rate 20 basis points to 2.90 per cent and its secured loans rate by 50 basis points to 2.50 per cent.

The 10-year benchmark DSL closed 0.12 higher at 101.26, yielding 9 basis points less than the equivalent German bund, against 11 points on Friday.

German bonds closed slightly higher, outperforming most European markets. The June bund future, listed in London, settled 0.25 higher at 101.75, while in the cash market the 10-year benchmark bond rose by 0.30 to close at 102.45.

US Treasuries appeared to be on hold in morning trading yesterday, after a week of worrying about the intentions of Mr Alan Greenspan, Federal Reserve chairman, whose Humphrey-Hawkins testimony dominated the market last week.

The 30-year long bond was unchanged around midday at 97$\frac{22}{32}$, to yield 6.814 per cent, while the two-year note was flat at 99⅝ to yield 6.061 per cent.

Analysts said the key data due out this week was the Fed's "beige book" on Wednesday, which will give fresh indications on the state of the economy, and Friday's producer prices, which will be monitored for signs of inflationary pressure.

"Given that we went every which way on Friday's employment data, it's not surprising that people are standing back," said Mr David Munro, chief US economist at High Frequency Economics.

Mr Kevin Logan, chief economist at Dresdner Kleinwort Benson in New York, said the markets were also waiting for the meeting of Fed officials on March 25, the next opportunity for a rate rise.

"Friday's employment data were stronger than expected," he said. "That could not put to rest any fears that a Fed tightening is coming." However, he added that most investors had positioned themselves "where they want to be" ahead of the meeting, so a period of range trading is likely for the next two weeks, particularly since many investors are holding neutral positions.

EBRD offers first 30-year rand issue

INTERNATIONAL BONDS

By Conner Middelmann

The South African rand sector's return to popularity continued yesterday with the first 30-year eurorand issue, longer than the longest-dated South African government paper.

The R5bn zero-coupon offering was launched by the European Bank for Reconstruction and Development, which also issued R2.5bn of 20-year bonds.

The deal comes a week after the World Bank set a maturity record in the sector with a 20-year zero-coupon bond.

The EBRD's 20-year bond yields 14.4 per cent while the 30-year issue yields 13.6 per cent annually, said lead manager Toronto-Dominion Bank, a recent newcomer to the rand sector. Because of the deeply discounted issue prices of both bonds, the deals raised around $60m in total for the supranational agency.

Some observers have argued that buying 30-year rand assets only months after the rand fell precipitously requires a suspension of disbelief on the part of investors.

However, a syndicate manager at Toronto-Dominion said investors were attracted by the small cash outlay required for the bonds, tax efficiency, their high double-digit yields, hopes of rand appreciation over the long term and expectations of a fall in interest rates.

He said that the paper saw good demand, mainly from retail but also some institutional accounts, in Switzerland, Germany, the Benelux countries and Italy.

The World Bank also returned to the rand sector, with R150m of five-year bonds via Hambros Bank.

Another exotic currency sector, the Philippine peso, was inaugurated yesterday when the International Finance Corporation, the World Bank's private-sector arm, issued the first europeso deal – 2.6bn pesos of five-year bonds paying a 10.25 per cent coupon – via Citicorp.

The IFC bonds were said to have met a warm reception, in part because of rating agency Standard & Poor's recent upgrade of the Philippines' sovereign debt from BB to BB+, one notch below investment grade.

Another europeso deal is expected soon for the World Bank, via Deutsche Morgan Grenfell.

The remainder of the eurobond market was quiet yesterday, subdued in part by continuing nervousness over US interest rates.

However, the torpor is expected to be lifted today by a $500m five-year bond issue for Belgium. The Euro-Asian issue is to be launched overnight and is expected to be priced in the high single digits above US Treasuries.

Morgan Stanley and UBS have been appointed lead managers. They also arranged Belgium's previous dollar deal a year ago.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
First Pacific Capital(a)§	350	(2-2½)#	100.00	Mar 2002	2.50	-	INGB/SBC Warburg
Dixie Toga(b)	77	9¾#	99.78R	Mar 2005	0.50R	+325(6¼%-02)	Indosuez Capital
Eldos(c,s)§	50	(6-6½)#	100.00	Jun 2002	2.50	-	Deutsche Morgan Grenfell
D-MARKS							
Hanil Bank	300	4.375	99.66R	Apr 2000	0.225R	+51(7%Jan00)	Bayerische Landesbank
SWISS FRANCS							
JP Morgan & Co	200	3.50	102.65	Oct 2005	2.625	-	CSFB
Eksportfinans(s)★	100	2.875	101.65	Dec 2002	1.625	-	UBS
ITALIAN LIRE							
Bayerische Vereinsbank	200bn	6.80	101.305	Apr 2000	1.375	-	BNL
PESETAS							
European Inv'ment Bank(d)	10bn	(d1)	100.10	Oct 2002	0.10	-	La Caixa
DANISH KRONER							
Finance for Danish Industry	400	6.00	101.835	May 2004	1.875	-	Den Danske Bank
EUROS							
Bqe Internationale à Lux(e)	150	5.50	101.70	Apr 2003	1.875	-	BIL
RAND							
EBRD	5bn	Zero	2.20R	Apr 2027	0.10R	-	Toronto Dominion Bank
EBRD	2.5bn	Zero	6.85R	Apr 2017	0.15R	-	Toronto Dominion Bank
World Bank	150	14.50	101.775	Apr 2002	2.00	-	Hambros Bank
PHILIPPINE PESOS							
International Finance Corp	2.6bn	10.25#	(f)	Apr 2002	0.60	-	Citicorp

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Pricing expected: 21/3/97. Indicated conversion premium: 14-18%. Premium redemption: 5yr Treasuries +75-125bp. Callable from Mar 00, subject to 140% hurdle, at accreted value. Greenshoe: $52.5m. b) Call & put on 14/3/02 at par. c) Pricing by Friday. Indicated conv prem: 22-25%. Callable from Jun 99, subject to 140% hurdle, at par. Greenshoe: $7.5m. d) 4 tranches, redemption linked to basket of equity indices. d1) 4.3/4.32/4.34/4.36. e) Pays in Ecu prior to Emu. f) Priced later. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Support for loan market initiative

An initiative to create a more transparent and liquid secondary European market for syndicated loans is beginning to bear fruit. The Loan Market Association, launched last December by seven London-based commercial banks, held its inaugural meeting last week and has already enlisted the support of around 80 institutions.

To date, 29 banks have joined the LMA as full members and another 43 institutions, including banks, law firms and rating agencies, have signed up as associate members. The Bank of England, the Bank of Japan and the British Bankers Association have joined as courtesy members. The LMA was founded by BZW, NatWest, CSFB, HSBC Investment Bank, Fuji Bank, J. P. Morgan and SBC Warburg.

The development of a liquid secondary market would bring Europe more closely into line with the US, where bank loans are commonly traded as a means of distributing risk and enabling investors to place money into a range of financial assets.

The aims of the LMA are "to create more flexibility, reduce the cyclicality of the loan market, create added capacity and achieve greater transparency," said a member of the LMA board. If these four goals are met, he said, this would improve market liquidity, which should translate into more advantageous pricing terms for borrowers over the cycle. For banks, one advantage is that getting loans off their balance sheets allows them to spread their risks and enhance their loan portfolio management.

The LMA comprises various committees which are looking at ways of improving loan portfolio valuation and management, streamlining documentation and settlements, and informing lenders and borrowers of the implications of a secondary loan market.

Conner Middelmann

Local currency fund by ANZ

The emerging markets fund management arm of ANZ Investment Bank yesterday launched ANZ Local Currency Debt Portfolio, an open-ended unit trust. The fund, mainly targeted at institutional investors, will invest in local currency-denominated bonds issued in a wide range of countries, including Russia, Egypt, Brazil, India and Jamaica.

ANZ said the move to local currency investments had been brought about by two factors: the general trend of improving creditworthiness, in the wake of World Bank and IFC-inspired reforms; and governments' efforts to reduce their dependence on international capital markets by tapping domestic savings.

Last year, ANZ said, local currency emerging market debt offered some of the highest returns. Ukrainian Treasury bills, for example, yielded more than 75 per cent in local currency terms in 1996, while the Ukrainian currency remained stable against the US dollar.

Samer Iskandar

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	92.8468	–0.130	7.81	7.85	7.48
Austria		5.625	01/07	98.7800	+0.210	5.65	5.58	5.84
Belgium		6.250	03/07	103.7700	+0.110	5.75	5.67	5.77
Canada *		7.000	12/06	104.2500	+0.250	6.41	6.42	6.68
Denmark		8.000	03/06	111.2600	+0.180	6.33	6.28	6.51
France	BTAN	5.500	10/01	103.9335	-	4.55	4.40	4.51
	OAT	6.500	10/06	107.5500	+0.330	5.48	5.38	5.64
Germany Bund		6.000	01/07	102.4500	+0.300	5.67	5.55	5.82
Ireland		8.000	08/06	109.5600	+0.050	6.60	6.50	6.65
Italy		7.750	11/06	102.8800	–0.160	7.33†	7.37	7.20
Japan	No 143	6.300	09/01	121.6008	+0.053	1.31	1.37	1.39
	No 182	3.000	09/05	104.7201	+0.150	2.34	2.41	2.41
Netherlands		5.750	01/07	101.2600	+0.120	5.46	5.34	5.62
Portugal		9.500	02/06	117.5000	-	6.84	6.70	6.70
Spain		7.350	03/07	102.6000	+0.070	6.93	6.96	6.74
Sweden		8.000	08/07	107.9605	+0.154	6.90	6.87	6.87
UK Gilts		8.000	12/00	103–30	+4/32	6.79	6.86	7.05
		7.500	12/06	101–24	+11/32	7.25	7.24	7.54
		9.000	10/08	112–27	+16/32	7.34	7.33	7.62
US Treasury *		6.250	02/07	97–28	+11/32	6.54	6.58	6.63
		6.625	02/27	97–19	+18/32	6.81	6.84	6.93
ECU (French Govt)		7.000	04/06	107.0400	+0.370	5.97	5.93	5.96

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.10
Prime rate	8¼	Two month	-	Three year	6.23
Broker loan rate	7	Three month	5.20	Five year	6.40
Fed.funds	5¼	Six month	5.38	10-year	6.56
Fed.funds at intervention	-	One year	5.67	30-year	6.83

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	131.12	131.12	+0.18	131.16	130.98	6,562	105,052
Jun	129.88	129.88	+0.18	129.92	129.76	215	50,798
Sep	128.24	128.35	+0.20	128.24	128.20	157	2,039

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
128	1.94	-	2.39	0.06	0.28	0.53
129	1.07	-	1.71	0.19	0.52	0.83
130	0.42	0.79	1.12	0.54	0.91	1.24
131	0.11	0.39	0.69	1.23	1.51	1.81
132	0.04	0.15	0.39	2.15	2.26	2.49

Est. vol. total, Calls 11,054 Puts 8,802. Previous day's open int., Calls 118,586 Puts 130,943

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.68	101.75	+0.25	101.81	101.59	94491	237694
Sep	-	100.88	+0.25	-	-	0	687

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
10150	0.52	0.94	1.18	1.25	0.27	0.69	0.93	1.87
10200	0.25	0.66	0.91	1.04	0.50	0.91	1.16	2.16
10250	0.10	0.44	0.67	0.85	0.85	1.19	1.42	2.47

Est. vol. total, Calls 7649 Puts 9054. Previous day's open int., Calls 177647 Puts 194898

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	127.52	127.20	-0.40	127.52	126.89	35988	102708
Sep	-	127.12	-0.40	-	-	0	2395

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12700	1.95	2.88	1.75	2.74
12750	1.68	2.59	1.98	2.97
12800	1.42	2.33	2.22	3.21

Est. vol. total, Calls 1927 Puts 1897. Previous day's open int., Calls 70887 Puts 78291

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.81	112.88	+0.09	112.85	112.29	68,706	55,059
Jun	112.85	112.78	+0.06	112.85	112.47	9,242	35,879

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112-09	112-12	+0-13	112-14	112-09	2177	32454
Jun	111-21	111-28	+0-12	112-00	111-20	41521	173465

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
111	1-06	1-46	2-06	2-39	0-14	0-54	1-14	2-13
112	0-30	1-11	1-35	2-08	0-38	1-19	1-43	2-46
113	0-09	0-48	1-06	1-45	1-17	1-56	2-14	3-19

Est. vol. total, Calls 1585 Puts 3225. Previous day's open int., Calls 65448 Puts 27942

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.76	96.86	+0.20	97.00	96.76	2,593	5,707
Jun	95.42	95.34	+0.20	95.44	95.24	586	1,360

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	110–22	110–20	+0–01	110–27	110–20	26,378	154,753
Jun	110–07	110–03	-	110–13	110–03	558,381	358,491
Sep	109–29	109–22	+0–01	109–29	109–22	958	12,502

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	125.38	-	-	125.40	125.33	685	n/a
Sep	-	-	-	-	-	0	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Mar 10	Day's change %	Fri Mar 7	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	121.12	0.11	121.12	2.26	2.59
2 5-15 years (21)	152.19	0.32	151.70	2.79	1.93
3 Over 15 years (6)	174.05	0.50	173.18	4.43	2.31
4 Irredeemables (5)	201.08	0.64	199.81	3.97	1.00
5 All stocks (51)	146.22	0.29	145.85	2.91	2.30

	Low coupon yield Mar 10	Mar 7	Yr. ago	Medium coupon yield Mar 10	Mar 7	Yr. ago	High coupon yield Mar 10	Mar 7	Yr. ago
5 yrs	6.90	6.95	7.59	6.98	7.02	7.63	7.01	7.07	7.72
15 yrs	7.42	7.47	8.31	7.41	7.45	8.32	7.36	7.42	8.42
20 yrs	7.51	7.55	8.39	7.45	7.50	8.38	7.36	7.44	8.46
Irred.†	7.58	7.63	8.45						

Index-linked	Mon Mar 10	Day's change %	Fri Mar 7	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	206.16	0.08	206.00	2.83	0.00
7 Over 5 years (10)	198.11	0.23	197.65	1.11	1.61
8 All stocks (12)	197.88	0.21	197.46	1.26	1.61

	Inflation 5% Mar 10	Mar 7	Yr. ago	Inflation 10% Mar 10	Mar 7	Yr. ago
Up to 5 yrs	3.13	3.15	2.86	2.45	2.46	1.54
Over 5 yrs	3.46	3.48	3.80	3.27	3.29	3.81

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Mar 10	Mar 7	Mar 6	Mar 5	Mar 4	Yr ago	High*	Low*
Govt. Secs. (UK)	95.90	95.70	95.55	95.67	96.01	92.19	96.74	91.59
Fixed Interest	119.59	119.45	119.35	119.77	119.77	111.56	120.18	110.74

Gilt Edged Activity Indices

	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3
Gilt Edged bargains	90.9	85.2	82.6	80.5	73.3
5-day average	85.9	82.5	83.0	89.7	93.6

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 10

U.S. DOLLAR STRAIGHTS · SWISS FRANC STRAIGHTS · YEN STRAIGHTS · OTHER STRAIGHTS · DEUTSCHE MARK STRAIGHTS · FLOATING RATE NOTES · CONVERTIBLE BONDS

[illegible]

BUSINESSES FOR SALE

Clare Bellwood 0171 873 3234 | Fax 0171 873 3064 | Melanie Miles 0171 873 4874

OPOLE PROVINCIAL VOIVODE

acting on behalf of the State Treasury of the Republic of Poland
and in accordance with Article 37 Passage 1 Point 2 of the act of July 13, 1990
on privatisation of state-owned enterprises
(Dziennik Ustaw No. 51, pos. 298 with further amends)
invites domestic and foreign legal and natural persons
to negotiations
referred to enter into a commercial partnership with the State Treasury contributing
the organised part of the state-owned enterprise's property named
Wojewódzkie Przedsiebiorstwo Rolno-Przemyslowe „PZZ" w Opolu
having a seat in Brzeg, 16 Mleczna Street.

The present invitation offers for sale at least 10% of share capital of future company assuming that

- the State Treasury is going to be a holder of maximum 49% of shares of the Company
- entities with foreign capital contribution are allowed to have not greater than 35% of shares.

Entities interested in purchasing at least 10% of the share capital, after

- submitting an offer including name, surname, and address or trade name of the firm and its seat together with information about its previous business activity, legal status, and financial position as well as up-to-date excerpt of proper register
- and signing up „Confidentiality Agreement"

will have obtained a copy of the Company's Information Memorandum containing initial data on the enterprise, though Opole Provincial Voivode reserves the right to limit the access to it.

Negotiations are to be undertaken with entities which during 21-day period, beginning at the date of publishing the announcement, will submit secured preliminary offers in writing and marked as follows: *„Prywatyzacja PZZ Brzeg"*. Such offers have to be directed to Business Activity Division of Voivode Office in Opole, 14 Piastowska Street, room 310, till 3:00 PM

Opole Provincial Voivode kindly gives information that everybody who is interested in undertaking negotiations will be informed about further procedure mode tending towards entering into partnership or rejecting an offer. He also reserves the right to choose any of the submitting offers or cancel this invitation partly or as a whole without giving explanations.

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The Minister of State Treasury, acting on behalf of the State Treasury, pursuant to article 23 of Law on Privatisation of State-Owned Enterprises of 13 July 1990 (Dziennik Ustaw No. 51, item 298, with further amendments) invites tenders from parties interested in purchasing no less than 10% of the said Company's share capital, and no more than the total of Company's share capital less:

- 15% of the total number of Company's shares reserved, pursuant to art. 36, pass. 1 of Law on Commercialisation and Privatisation of State-Owned Enterprises of 30 August 1996 (Dziennik Ustaw No. 118, item 561), to be taken free of charge by the entitled employees,
- 5% of the total number of Company's shares secured, pursuant to the Resolution of the Council of Ministers No. 86 of 4 October 1993 (*Monitor Polski* No. 52, item 482), as the State Treasury's reserve for re-privatisation purposes.

Written responses to the invitation must be submitted, and their reception confirmed, no later than on 7 April 1997, before 4 pm Polish time, at the seat of "FINKORP".

ADDRESS:
"FINKORP" Sp.z o.o.
ul. Senatorska 13/15
00-075 Warsaw
tel. (48-22) 826-40-95
fax (48-22) 826-17-45
Attention: Teofil Kloda, Dariusz Zadrozny.

All responses must contain the following:

- company name, address of seat and legal status (entities) or first and last name(s) and home address (individuals)
- motivation for the share purchase
- brief information on tenderer's business activities.

In order to receive the Information Memorandum on Company, the interested parties must:

- submit responses to the invitation before the deadline
- be approved by the Ministry of State Treasury
- sign a confidentiality statement.

The Ministry of State Treasury reserves the right to reject any response without stating reasons.

The Ministry of State Treasury reserves the right to postpone the deadline for submission of responses, cancel the invitation, or refrain from commencing negotiations without stating reasons.

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PUBLIC NOTICES

Sunkyong Industries Limited (the "Company")
US$ 50,000,000 Floating Rate Notes due 1998 (the "Notes")
NOTICE OF PUT EXTENSION

Notice is hereby given that:

(i) under Condition 5 (c) of the Notes, Noteholders may redeem, on 24 April, 1997, their Notes at their principal amount by depositing such Notes and Coupons appertaining thereto with the Fiscal Agent not less than 30 nor more than 45 days prior to 24 April 1997 ("1997 Put Option");

(ii) notwithstanding paragraph (i) hereto, the Company hereby kindly requests Noteholders not to exercise the 1997 Put Option but to hold the Notes until the final maturity date in April, 1998;

(iii) in order to compensate and provide an incentive to Noteholders for their holding their Notes without exercising the 1997 Put Option, the Company has proposed to pay the Noteholders not exercising their 1997 Put Option a waiver amount equivalent to 0.45 per cent of the principal amount of the Notes held by them;

(iv) KEB International Limited, of 2nd Floor, Crosby Court, 38 Bishopsgate, London EC2N 4AJ, has been authorised by the Company to act as Arranger of this transaction; and

(v) any Noteholder wishing to exercise its 1997 Put Option is requested to contact KEB International Limited (attention: Andrew L.Rafe Esq. on telephone number 44 171 650 1512 and facsimile number 44 171 650 1501) and the Fiscal Agent (attention: Joe Heintzen Esq. on telephone number 352 45 90 21 40 and facsimile number 352 45 90 38 25) urgently but in any event no later than 25 March, 1997.

Fiscal Agent
Banque Internationale a Luxembourg S.A.
69, Rue d'Esch
L-1470 LUXEMBOURG

COMMODITIES AND AGRICULTURE

Pechiney to cut US can production by 10%

By Kenneth Gooding, Mining Correspondent

Pechiney of France intends to close three aluminium can plants in the US by the end of this year and reduce its production capacity there by 10 per cent, Mr Jean-Pierre Rodier, chairman, said yesterday.

Mr Rodier said all the growth in demand for soft drinks containers in the US was being captured by rival polyethylene terephthalate (PET) bottles.

Speaking in London, Mr Rodier said his group was taking action at a cost of FFr350m ($60m) because, although demand for aluminium cans in the US was stable at present, it might fall in future.

At present PET was making all its progress with a relatively new container, the 20-ounce bottle for soft drinks. So far the material had not dented aluminium's domination of the US beer container market but this might be a threat in future. Pechiney's own packaging division was hoping to develop a PET beer container but this would take several years.

Mr Rodier suggested there was 10 per cent too much capacity in total North American aluminium can production and, by making the proposed cuts, Pechiney expected its remaining plants to be working at 90 per cent of capacity by the end of this year.

He stressed at a meeting with the Association of Mining Analysts that the PET threat was confined to North America and that Pechiney saw continued growth for aluminium cans elsewhere. Last year the group started up a can plant in Brazil, which had sold all its 1997 output, and was negotiating to set one up in India.

Analysts said the implications for the industry could still be worrying because North American cans account for about 10 per cent of global aluminium demand.

Mr Bernard Legrand, head of Pechiney's aluminium division, said aluminium supply and demand should be in balance this year so there was no requirement for any of the world's 918,000 tonnes of idled capacity to be brought back into production.

Global aluminium stocks were equivalent to 60 days of demand and this was a high level, he said.

Pechiney had 121,000 tonnes of capacity shut down at present and had no immediate plans to reactivate it. About 75 per cent could be brought back "overnight" but the rest was in need of some repair.

Mr Legrand was questioned about attempts by aluminium producers in the Gulf area to have the European Union's 6 per cent tariff on the metal removed. He said some time ago Pechiney had proposed to the European Commission that a quota system should be introduced so some aluminium from the Gulf could be imported free of the tariff and "the Gulf producers could benefit from Europe's internal prices".

This suggestion had not made much progress because the EC wanted to include it with other trade and tariff issues being discussed with Gulf states.

Crude oil eases on lower demand

MARKETS REPORT

By Robert Corzine and Kenneth Gooding

Crude oil prices eased yesterday after a brief rally last week sent prices back towards the $20 a barrel mark. Brent Blend for April delivery, the international benchmark, was down 28 cents to $19.58 in late London trading, as ample supplies in the US and Europe exerted downward pressure on the markets.

In New York oil prices went into contango – a condition in which prompt prices are lower than future prices – for the first time in almost two years. Traders said this reflected a rise in imports combined with lower demand because of refinery maintenance and the end of winter.

Suggestions from the Far East that the Chinese believed copper prices were too high and would stay out of the market even though they needed to import a great deal of the metal this year caused the price to weaken on the London Metal Exchange.

Copper slipped below $2,350 a tonne in after-hours trading after holding above this key level for most of the day. Selling by speculative funds caused the price to crumble, traders said.

Mr Alan Williamson, analyst at Deutsche Morgan Grenfell Securities Australia, suggested China would not buy until copper prices fell by at least another $100 a tonne. "If the price was lower the Chinese would be in like a shot," he said.

Copper for immediate delivery on the London Metal Exchange remained in short supply, with the premium compared with delivery in three months indicated at $72 to $82 a tonne against $50 last week.

Japanese eat more chocolate

By Michael Peel

A campaign to bombard the Japanese public with scientific studies detailing the benefits to health of eating chocolate led to a 30 per cent increase in chocolate bar production within a year, the president of the Chocolate and Cocoa Association of Japan said yesterday.

Speaking in London to a meeting of the International Cocoa Organisation, Mr Akira Sasai said the increasing westernisation of Japanese eating habits meant there was great potential for a further growth in cocoa consumption.

Japan produced $34bn of confectionery in 1995, $4bn of it chocolate.

"Certainly, in terms of growth rate we would have to term the project a success but the absolute levels of consumption are not something we can be satisfied with compared to the levels of Europe and North America," he said.

Sales of ground cocoa powder between January and September 1996 were 20 per cent up year-on-year, while cocoa butter production rose 34 per cent.

Sugared cocoa powder production rose 265 per cent. Mr Sasai estimates milk chocolate production grew by 30 per cent.

"Sugar is expensive in Japan but for an ordinary Japanese, chocolate is not an expensive confection," he said. He said chocolate faced stiff competition from rice crackers and youkan, a confection made from sugar and beans, as a snack at "o-yatsu" – the Japanese equivalent of afternoon tea.

"Japanese confections represent powerful rivals for chocolate which it encounters nowhere else in the world," he said.

His response was to assemble an industry task force and hold a series of symposia financially backed by the ICCO and supported by the ministries of health and agriculture.

The task force advertised the results heavily on TV and in the press. It also targeted schools and members of the Japanese Nutritionists Society with the results of studies indicating that sugar was not linked to tooth decay and obesity.

Dr Susan Jebb of the Medical Research Council's Dunn Nutrition Centre said although it was true sugar was not linked with obesity, such claims ignored the relatively high fat content of most chocolate bars. "High sugar eaters are the thinnest in the population, but fat is positively associated with obesity," she said.

IPE sees strength in diversification

The International Petroleum Exchange, the London-based oil futures market, says it is determined to diversify into a broad European energy exchange with contracts tailored to specific regional energy markets.

"We have a clear ambition to become the leading energy exchange," said Mr Lynton Jones, the IPE chief executive, in an interview yesterday.

In addition to the recently launched UK natural gas contract, the IPE has been looking at a variety of possible new ventures covering energy sources such as electricity and coal. It is also considering further tailoring such contracts for regional markets, such as a Scandinavian electricity contract or distinct UK and continental European gas contracts.

The IPE's strategy to expand beyond its oil origins began at the end of January with the launch of a screen-based natural gas futures contract to cater for the fast-changing UK gas market, which will be opened to full competition next year.

Mr Jones said there was growing interest in the contract among traditional floor traders on the exchange, many of whom had shown no interest when it was launched. Prices are now displayed on the floor and some traders have asked for equipment to enable them to input prices into the system.

Brendan Corr

Lynton Jones: IPE is determined to become closer to the physical side of energy markets

Mr Richard Ward, the head of business development at the exchange, said around 20 companies were regularly using the gas contract, double the number that took part in the first few weeks of trading.

He said teething problems with the contract stemmed mainly from the inexperience of some traders with a screen-based system.

Although there have been complaints about the low liquidity of the market, Mr Ward noted that the natural gas contract on the Nymex took a year to reach 500 trades a day, while volume on the IPE version was already half that level.

The exchange is ready to launch a European gas futures contract based on delivery at Bacton, the gas terminal on Britain's east coast, when a new pipeline linking the UK to the continent is completed towards the end of next year.

But a technical dispute over third-party liability at Bacton could cause the first European gas contract to be based on delivery at a continental European hub, such as Zeebrugge or Aachen.

Mr Ward said that even if the UK dispute was settled in time, there may also be demand for contracts based on additional hubs such as Aachen.

European electricity contracts could also be based on two or three hubs, he said, although in each case one contract would emerge as the dominant one for setting prices.

Mr Jones said the IPE was determined to become much closer to the physical side of energy markets, and all new energy contracts would be developed in close consultation with traders in the physical commodity.

He said he believed the IPE was far less vulnerable to trading scandals than some other exchanges because of the open outcry system. A new compliance manager has been hired, and the exchange is studying whether it needs to expand its compliance staff.

All floor traders have also been required to wear trading jackets to ensure everyone can be easily identified on videos if a question later arises about specific trades.

Mr Jones also said that although the IPE was keen to enter into co-operation agreements with other exchanges in order to lower costs or to make trading easier, it was determined to retain its independence for the foreseeable future.

"If we merged with Liffe, which is 10 times bigger than the IPE, our identity would disappear," he said.

Robert Corzine

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1630.5-31.5	1662-63
Previous	1649-50	1679-80
High/low		1673/1650
AM Official	1630-31	1660.5-61
Kerb close		1657-58
Open int.	269,557	
Total daily turnover	60,060	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1523-28	1547-48
Previous	1535-40	1558-63
High/low		1550/1540
AM Official	1518-23	1540-43
Kerb close		1540-45
Open int.	6,269	
Total daily turnover	537	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	674-5	675-6
Previous	691-2	686-7
High/low		686/673
AM Official	674-6	675-6
Kerb close		674-5
Open int.	40,438	
Total daily turnover	10,827	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7995-8005	8100-05
Previous	8050-60	8150-60
High/low		8120/8065
AM Official	7999-8000	8099-100
Kerb close		8060-70
Open int.	51,896	
Total daily turnover	11,320	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5870-80	5910-20
Previous	5865-75	5920-25
High/low		5925/5880
AM Official	5870-75	5920-21
Kerb close		5885-90
Open int.	16,325	
Total daily turnover	6,123	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1243.5-44.5	1254-55
Previous	1250.5-1.5	1260-61
High/low		1257/1246
AM Official	1243-44	1252.5-53.5
Kerb close		1249-50
Open int.	87,908	
Total daily turnover	21,521	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2456-59	2372-73
Previous	2493.5-6.5	2412.5-3.5
High/low	2448	2375/2356
AM Official	2446-48	2366-67
Kerb close		2358-59
Open int.	139,762	
Total daily turnover	48,602	

■ LME AM Official £/$ rate: 1.5961

LME Closing £/$ rate: 1.6015

Spot: 1.6010 3 mths: 1.5986 6 mths: 1.5969 9 mths: 1.5949

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	114.65	-0.65	115.90	113.60	1,688	8,117
Apr	112.10	-1.50	113.50	111.60	244	3,369
May	109.95	-1.45	111.90	109.05	6,396	28,417
Jun	108.15	-1.05	-	-	32	991
Jul	106.65	-1.05	108.10	106.00	731	7,430
Aug	105.35	-1.00	-	-	16	639
Total					11,502	60,925

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	349.70-350.20		
Opening	350.00-350.30		
Morning fix	349.90	219.00	516.10
Afternoon fix	350.25	218.84	515.67
Day's High	350.75-351.05		
Day's Low	349.30-349.60		
Previous close	349.80-349.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.97	6 months	3.98
2 months	3.97	12 months	3.96
3 months	3.97		

Silver Fix	p/troy oz.	US cts equiv.
Spot	321.50	513.75
3 months	325.90	520.00
6 months	330.20	526.20
1 year	339.00	539.00

Gold Coins	$ price	£ equiv.
Krugerrand	350-352	218-220
Maple Leaf	-	-
New Sovereign	81-84	51-52

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	352.7	+3.2	-	-	-	-
Apr	353.1	+3.2	353.3	350.3	43,297	66,971
Jun	355.2	+3.3	355.5	352.4	3,734	28,865
Aug	357.5	+3.3	357.6	354.7	90	9,990
Oct	359.9	+3.3	358.5	357.9	769	5,951
Dec	362.5	+3.3	362.5	359.6	322	20,941
Total					48,560	171,043

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	383.5	+5.0	383.5	379.5	3,022	18,447
Jul	385.9	+5.1	386.0	382.5	283	3,391
Oct	388.2	+5.1	-	-	2	2,093
Jan	390.3	+5.1	-	-	2	1,123
Total					3,309	25,084

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	153.25	+4.50	153.00	150.00	40	150
Jun	155.25	+4.50	155.90	150.75	272	9,741
Sep	156.25	+4.50	-	-	5	792
Dec	157.25	+4.50	-	-	5	190
Total					317	10,873

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	523.6	+9.2	525.0	511.0	401	835
May	527.5	+9.0	530.0	511.0	15,678	59,425
Jul	532.4	+9.0	534.0	520.0	586	12,521
Sep	537.5	+9.1	533.0	527.0	37	3,391
Dec	544.9	+9.2	547.0	534.5	71	5,378
Jan	547.8	+9.3	-	-	-	14
Total					16,957	88,669

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	20.83	-0.45	21.27	20.73	49,023	78,389
May	20.86	-0.38	21.25	20.76	27,982	60,854
Jun	20.80	-0.26	21.11	20.70	8,861	49,589
Jul	20.70	-0.20	20.95	20.68	3,805	24,839
Aug	20.57	-0.22	20.74	20.57	1,442	18,565
Sep	20.48	-0.23	20.70	20.48	1,033	14,043
Total					104,724	419,221

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	19.56	-0.30	19.85	19.48	11,584	40,631
May	19.41	-0.26	19.80	19.33	11,317	65,374
Jun	19.27	-	19.68	19.27	1,942	23,343
Jul	19.26	-0.22	19.59	19.24	759	12,290
Aug	19.21	-0.19	19.47	19.21	543	6,040
Sep	19.13	-0.19	19.49	19.13	213	6,531
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	53.80	-0.26	54.45	53.55	15,868	37,292
May	54.10	-0.43	54.70	53.90	6,332	14,851
Jun	54.45	-0.18	54.95	54.30	2,521	13,172
Jul	54.85	-0.13	55.35	54.95	1,088	12,628
Aug	55.70	+0.02	56.05	55.65	435	7,335
Sep	56.30	-	56.40	56.30	75	5,073
Total					27,810	119,438

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	167.00	-2.00	168.50	163.75	7,253	17,334
Apr	169.00	-1.50	170.00	167.25	8,140	21,042
May	169.50	-2.25	171.00	169.00	1,282	5,876
Jun	171.25	-1.25	172.50	170.50	844	9,868
Jul	172.50	-1.25	173.25	172.00	185	3,603
Aug	174.00	-1.00	174.75	174.00	45	1,644
Total					18,881	71,498

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	2.005	+0.058	2.040	1.950	21,908	35,111
May	2.075	+0.052	2.095	2.050	9,577	20,319
Jun	2.075	+0.047	2.100	2.055	3,098	11,624
Jul	2.075	+0.042	2.095	2.070	1,858	10,775
Aug	2.080	+0.110	2.095	2.065	1,840	8,620
Sep	2.085	+0.114	2.100	2.080	1,926	7,345
Total					45,982	169,168

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	65.25	-0.42	66.30	64.90	20,300	37,177
May	65.00	-0.48	66.00	64.80	8,983	20,532
Jun	64.15	-0.43	65.00	64.10	2,808	14,276
Jul	63.15	-0.18	63.75	63.00	1,022	6,289
Aug	61.80	-0.18	62.20	61.50	329	4,219
Sep	60.05	-0.18	60.00	60.00	244	2,280
Total					33,988	84,686

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	96.50	-0.60	97.25	97.25	2	206
May	98.50	-1.15	100.25	98.45	309	3,461
Jul	100.70	-1.25	102.40	100.70	108	1,098
Sep	92.10	-0.60	-	-	-	33
Nov	94.10	-0.60	-	-	-	2,013
Jan	96.10	-0.60	-	-	-	418
Total					419	7,376

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	378.50	+1.50	381.00	371.50	290	530
May	379.25	+3.75	381.50	372.00	7,630	25,855
Jul	366.50	+3.00	368.75	361.00	12,711	38,232
Sep	369.00	+3.00	370.00	364.00	651	3,877
Dec	376.50	+2.00	379.50	372.50	508	4,175
Mar	376.50	+2.50	-	-	-	75
Total					21,791	70,931

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	312.00	+6.00	314.00	303.75	11,920	21,122
May	309.75	+5.75	313.00	302.00	66,663	165,136
Jul	308.25	+5.25	311.50	300.00	27,303	110,085
Sep	293.75	+3.25	295.00	287.50	2,043	15,113
Dec	291.50	+3.50	293.00	285.50	15,446	72,252
Mar	296.25	+3.50	298.50	290.75	559	6,442
Total					124,170	394,479

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	89.50	-1.00	-	-	-	67
May	90.50	-1.00	-	-	-	135
Sep	90.50	-	-	-	-	28
Nov	92.50	-	92.50	92.50	15	385
Jan	94.50	-	-	-	-	32
Total					15	647

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	857.75	+30.25	862.00	828.00	4,105	5,730
May	860.00	+30.00	860.00	831.00	54,403	88,018
Jul	860.00	+30.00	860.00	831.00	16,274	56,366
Aug	851.00	+30.00	851.00	823.00	1,796	7,612
Sep	797.50	+27.00	800.50	770.00	565	3,806
Nov	743.50	+19.00	750.00	722.00	10,470	29,467
Total					87,868	193,007

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	26.02	+0.73	26.10	25.30	6,885	5,131
May	26.33	+0.64	26.55	25.68	24,816	55,785
Jul	26.73	+0.65	26.90	26.07	7,465	27,258
Aug	26.85	+0.65	26.93	26.25	806	4,616
Sep	26.96	+0.64	27.05	26.35	207	3,188
Oct	27.12	+0.71	27.20	26.40	669	2,474
Total					42,630	107,721

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	282.0	+11.9	282.5	270.0	3,394	8,445
May	275.7	+10.0	275.7	265.8	17,028	49,011
Jul	271.8	+10.0	271.8	262.0	7,290	28,179
Aug	265.2	+10.0	265.2	255.0	1,718	7,129
Sep	253.2	+9.5	253.5	244.0	892	4,606
Oct	232.0	+6.3	234.0	225.6	763	3,819
Total					32,359	119,356

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	55.5	-4.0	58.5	55.0	51	865
May	62.0	-2.5	64.0	62.0	35	253
Jun	73.0	-2.5	-	-	-	-
Nov	63.0	-2.5	-	-	-	2
Mar	98.0	-2.5	-	-	-	-
Apr	107.0	-3.5	108.0	107.0	33	674
Total					119	1,794

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1490	-25	1500	1490	16	568
Apr	1590	-11	1605	1590	44	1,253
May	1549	-21	1570	1549	23	298
Jul	1318	-12	1329	1329	1	705
Oct	1435	-5	1440	1440	3	213
Jan	1445	-5	-	-	-	47
Total					87	3,084

	Close	Prev
BFI	1438	1430

FUTURES DATA

All futures data supplied by CMS.

Tea

Demand was strong and active, The Tea Brokers' Association reports. Landed bright East Africans sold well and prices appreciated by between 4 pence and 8 pence per kg. Mediums were particularly strong with prices advancing by between 5 pence and 10 pence per kg and sometimes more. Offshore there was keen competition at substantially dearer rates, especially for coloury types. Quotations for this sale: landed best available 141p/kg; good 139p/kg; good medium 132p/kg; medium 126p/kg; low medium 100p/kg. Highest price realised this week was 141p/kg for a Kenya PD.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	987	+34	930	930	2	1,425
May	961	+35	982	938	7,400	33,376
Jul	980	+23	982	951	1,800	14,392
Sep	988	+20	989	963	1,180	13,693
Dec	996	+23	997	973	525	22,219
Mar	1011	+18	1011	990	1,550	21,774
Total					13,158	129,369

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1330	+43	1335	1300	26	117
May	1392	+67	1395	1341	7,036	30,357
Jul	1413	+65	1417	1365	894	19,347
Sep	1440	+65	1442	1393	676	10,845
Dec	1468	+62	1472	1422	787	7,125
Mar	1498	+61	1491	1459	1,258	17,155
Total					18,842	81,986

■ COCOA (ICCO) (SDR's/tonne)

Mar 7	Price	Prev. day
Daily	1050.38	1047.04

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1730	-19	1740	1690	162	2,519
May	1717	-12	1728	1679	2,734	26,291
Jul	1712	-17	1725	1680	426	10,508
Sep	1705	-15	1717	1674	370	4,724
Nov	1680	-15	1690	1655	33	2,223
Jan	1660	-15	1670	1635	19	500
Total					3,744	46,777

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	215.50	+9.75	216.00	201.80	488	1,319
May	199.30	+8.50	200.00	185.20	9,315	22,988
Jul	183.55	+6.70	185.00	172.50	2,593	8,217
Sep	170.90	+5.35	171.55	162.00	1,357	4,476
Dec	154.00	+3.00	154.00	148.00	314	3,095
Mar	143.25	+2.40	143.00	139.00	155	741
Total					14,222	41,004

■ COFFEE (ICO) (US cents/pound)

Mar 7		Prev. day
Comp. daily	140.56	143.88
15 day average	131.08	130.30

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	310.0	+1.7	310.0	307.7	698	14,050
Aug	308.4	+1.4	308.1	307.0	111	4,400
Oct	304.1	+1.5	303.6	303.4	25	3,063
Dec	302.9	+1.1	-	-	-	893
Mar	304.2	+1.9	-	-	-	528
May	302.2	+1.9	-	-	-	158
Total					834	23,092

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	11.03	+0.06	11.09	10.95	8,081	73,920
Jul	10.77	+0.03	10.80	10.70	2,339	33,430
Oct	10.69	-0.01	10.74	10.66	1,006	24,145
Mar	10.66	-	10.70	10.64	938	11,252
May	10.63	-0.03	10.66	10.64	18	1,912
Jul	10.63	-0.03	10.67	10.63	12	904
Total					12,388	145,940

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	77.95	+1.03	78.25	76.55	17,716	32,128
Jul	78.61	+0.83	79.00	77.70	6,823	13,582
Oct	78.10	+0.30	78.25	77.70	403	1,401
Dec	78.23	+0.38	78.25	77.70	5,078	17,560
Mar	78.87	+0.17	78.95	78.63	64	1,284
May	79.30	+0.31	79.10	79.00	13	474
Total					30,225	67,037

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	83.40	-1.35	84.85	83.00	105	413
May	85.00	-1.95	86.80	84.75	1,934	15,124
Jul	87.20	-1.60	89.00	87.10	321	4,875
Sep	89.50	-1.25	91.00	89.00	184	3,633
Nov	91.50	-0.75	-	-	28	1,024
Jan	92.85	-0.55	93.00	92.00	83	649
Total					2,665	26,039

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 10	Mar 7	month ago	year ago
2003.2	2000.8	1957.1	2129.2

■ CRB Futures (Base: 1967 = 100)

Mar 7	Mar 6	month ago	year ago
245.37	245.05		

■ GSCI Spot (Base: 1970 = 100)

Mar 7	Mar 6	month ago	year ago
194.07	191.86	194.71	194.74

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	67.700	-0.625	68.275	67.650	5,969	42,168
Jun	64.650	-0.200	64.850	64.375	3,796	22,782
Aug	63.350	-0.200	63.650	63.225	2,082	19,798
Oct	66.875	-0.200	67.150	66.725	854	14,328
Dec	68.950	-0.350	69.250	68.825	582	8,740
Feb	70.200	-0.150	70.350	70.000	148	2,909
Total					13,437	109,331

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	70.100	-0.125	70.550	69.900	4,675	13,438
Jun	76.725	-0.175	77.150	76.500	4,361	9,864
Jul	75.250	-0.475	75.850	75.175	630	2,618
Aug	72.175	-0.225	72.550	72.000	527	2,347
Oct	66.050	-0.100	66.400	65.800	151	1,468
Dec	64.250	-0.025	64.500	63.950	39	855
Total					10,394	31,183

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	74.325	-0.100	74.600	73.850	566	580
May	75.875	-0.300	76.475	75.325	2,802	5,168
Jul	75.775	-0.825	76.500	75.500	414	1,282
Aug	73.700	-0.300	74.500	73.600	105	543
Feb	66.600	-	66.600	65.000	-	-
Total					3,887	7,573

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM

(99.7%) LME	Apr	Jul	Apr	Jul
1600	58	99	16	41
1650	29	71	38	62
1700	13	49	71	90

■ COPPER

(Grade A) LME	Apr	Jul	Apr	Jul
2300	142	101	10	103
2400	70	62	37	162
2500	26	36	93	234

■ COFFEE LIFFE	May	Jul	May	Jul
1650	139	198	72	136
1700	112	174	95	162
1750	89	156	122	194

■ COCOA LIFFE	May	Jul	May	Jul
950	45	59	14	29
975	30	46	24	41
1000	21	37	40	57

■ BRENT CRUDE

IPE	Apr	May	Apr	May
1900	-	-	-	-
1950	-	71	10	69
2000	10	47	40	88

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.92-8.04w	-0.44
Brent Blend (dated)	$19.07-9.09	-0.66
Brent Blend (Apr)	$19.42-9.44	-0.58
W.T.I.	$19.41-9.45w	-0.84

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$213-215	-1
Gas Oil	$169-171	
Heavy Fuel Oil	$80-82	
Naphtha	$195-198	+2
Jet fuel	$191-193	+2
Diesel	$178-180	-2

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	9.90-10.10	-0.05

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Apr)	9.90	-0.10

■ OTHER

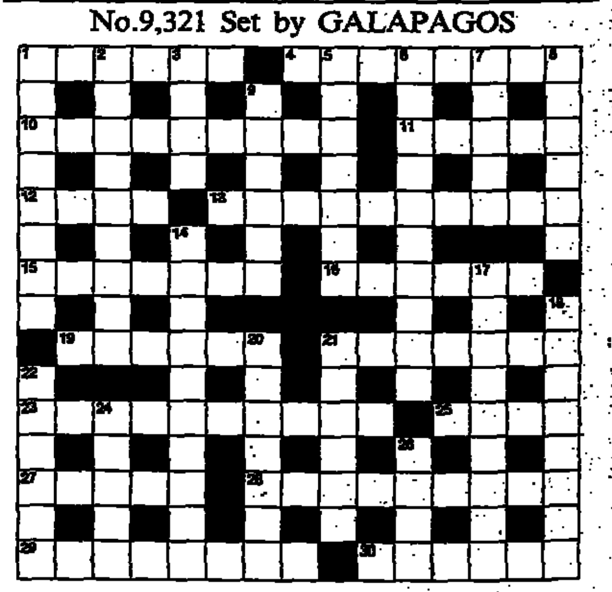
Gold (per troy oz)♣	$349.05	
Silver (per troy oz)♣	519.00c	
Platinum (per troy oz.)	$378.25	-3.50
Palladium (per troy oz.)	$151.00	+2.25
Copper	121.0c	+1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.27r	
Tin (New York)	273.50	+2.00
Cattle (live weight)	95.37p	-3.80*
Sheep (live weight)	149.31p	+3.72*
Pigs (live weight)†	81.59p	+0.31*
Lon. day sugar (raw)	$273.90	+1.10
Lon. day sugar (wte)	$310.70	+0.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Apr)♥	78.75p	
Rubber (May)♥	79.75p	
Rubber (KL RSS No1)	305.5x	+0.5
Coconut Oil (Phil)§	757.5y	-7.5
Palm Oil (Malay.)§	560.0	+2.5
Copra (Phil)§	$495.0y	
Soyabeans (US)	225.0	+4.0
Cotton Outlook 'A' Index	81.60	+0.40
Wooltops (64s Super)	418p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Apr y Apr/May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,556 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,321 Set by GALAPAGOS



ACROSS

1 To strike back on mixed drink is harmful (6)
4 Plunder represented in one apostle, perhaps (8)
10 Flier can alter southerly orientation (9)
11 Spell in Havana cut short; returned on first of May (5)
12 To get story, I'm taking note (4)
13 Soldiers deployed in sugar field (10)
15 Take me back to angry arabs (7)
16 Big cat out east is in river (6)
19 Silver plant's OK (6)
21 Italian author's written about Roman road in the original (7)
23 "Taxi" repeat is broadcast overseas (10)
25 Lively, losing heart but still having bottle (4)
27 Taking gun is disgraceful (5)
28 Drove fast, like Diogenes? (9)
29 Rat uncomfortably rested on back (8)
30 In search of knowledge, American leaves small apartment (6)

DOWN

1 Pitman has had back, he applies top-dressing (8)
2 Persistent fish circle about point (9)
3 Complain about nothing turning up from Indian state (4)
5 Faultless smoke ring disappears (7)
6 Lay out Mr Rule's big cheeses (6)
7 Look forward to month at old city (5)
8 Forgive banker taking shortened oath (6)
9 Trouble with difficult refits (6)
14 Great piper's arrangement gives nothing to fear (5,5)
17 Delivering, with first reading cut out, had been persuasive (9)
18 Architect takes cover, farewell is cut short (8)
20 Doctor brought to book about fluid loss (7)
21 Power centre loses a rude beginner, showing age (6)
22 Communist takes pleasure in recompense (6)
24 Trouble disturbed Spain (5)
26 Close attention yields electoral success (4)

Solution to Saturday's prize puzzle on Saturday March 22.
Solution to yesterday's prize puzzle on Monday March 24.

CURRENCIES AND MONEY

D-Mark gains across the board

MARKETS REPORT

By Simon Kuper

The D-Mark rose yesterday on improving sentiment over the German economy and fresh talk that European monetary union might be delayed.

The currency gained 1.5 pfennigs against the dollar to close in London at DM1.703.

Recent signs of recovery in the German economy have caused the money markets to price in a Bundesbank interest rate rise by the spring. The yield differential on US and German ten-year bonds has narrowed to about 100 basis points, from 115 points twelve days ago.

The D-Mark also gained on comments this weekend from Mr Herbert Hax, head of Germany's "five wise men" economic advisory panel, who said that Germany would probably miss its budgetary targets for Emu this year. He said the country should delay joining monetary union until its finances were in order. However, Mr Helmut Kohl, the German chancellor, insisted Emu would go ahead on time. Yesterday Mr Klaus-Dieter Kuehbacher, Bundesbank council member, said he doubted whether Germany could hit the budget deficit target for Emu.

The D-Mark rose L3.5 against the lira to L994.1, and firmed to Pta84.82 against the peseta. It gained Y0.48 against the yen to Y71.44.

But the German currency's strongest rise was against sterling, which lost 3 pfennigs to DM2.728 after UK price data emerged soft.

February factory gate prices were flat on the month before, while February input prices fell sharply. Mr Eddie George, governor of the Bank of England, said he thought UK inflation would hit the government's 2.5 per cent target during 1997. Mr Peter von Maydell, senior currency economist at UBS in London, said: "The market took that to mean that base rate hikes will not occur in the near term."

■ The guilder firmed yesterday as the Netherlands raised interest rates for the second time in ten days. The special advances rate rose 20 basis points to 2.90 per cent, still below the German repo rate of 3 per cent. The Dutch secured loans rate rose from 2 per cent to 2.50 per cent.

Currency strategists said the rate rises were intended to reverse the guilder's recent slide towards its central rate in the European exchange rate mechanism. The guilder's level is the Dutch central bank's only stated monetary target. The currency closed at Fl 1.126 against the D-Mark yesterday, from Fl 1.127 on Friday.

■ The market is looking for a new trend. For most of the last few months it sent the dollar and the pound higher, as the US and UK economies grew strongly while Japan and Germany struggled.

Recently, however, it has seemed to start changing its mind. First the yen began rallying against the dollar, and since Friday the D-Mark has risen too. "There is a sense that the January and early February adjustment in foreign exchange markets is over. Spring is arriving," said Mr Kit Juckes, currency strategist at NatWest Markets in London.

The change in the market has various causes. Firstly, *economic data from Japan* and Germany have begun improving. This week Japanese gross domestic product is expected to show a 3.5 per cent year-on-year rise. And the yen's two-year slide has started to boost Japan's current account surplus. Conversely, the UK economy is looking less buoyant.

All this is causing traders to recall that the Group of Seven industrialised nations said in Berlin last month that it thought the dollar's rise had gone far enough.

But Mr Juckes said the market may stop short of indiscriminately selling the Anglo-Saxon currencies. Mr Chris Turner, currency analyst at BZW in London, *agreed: "I don't think sterling* will collapse." For US yields are still a percentage point above Germany's and four points above Japan's. UK yields are three percentage points above Germany's. Even if German and Japanese interest rates start rising, they have a long way to go before they catch up.

Many in the market are therefore unsure which way to bet. Mr Juckes says they will be scanning economic figures closely to discover the new trends.

Sterling

Trade-weighted index

Source: Datastream

■ Pound in New York

Mar 10	---Latest---	-- Prev. close --
£ spot	1.6015	1.6030
1 mth	1.6006	1.6022
3 mth	1.5990	1.6006
1 yr	1.5929	1.5937

■ OTHER CURRENCIES

Mar 10	£	$
Czech Rp	46.5882 - 46.6577	29.0910 - 29.1210
Hungary	283.061 - 283.285	176.760 - 176.810
Iran	4806.80 - 4804.50	3000.00 - 3000.00
Kuwait	0.4882 - 0.4888	0.3036 - 0.3037
Poland	4.9278 - 4.9348	3.0770 - 3.0800
Russia	9120.54 - 9126.13	5695.00 - 5696.00
U.A.E.	5.8810 - 5.8949	3.6722 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.2021	-0.2094	940 - 102	19.3442	19.1724	19.1586	2.7	19.1021	2.1	-	-	103.6
Belgium	(BFr)	56.2794	-0.5944	415 - 173	56.7030	56.2010	56.1544	2.7	55.8944	2.7	54.5694	3.0	103.6
Denmark	(DKr)	10.4045	-0.1071	006 - 084	10.4867	10.3888	10.3825	2.5	10.339	2.5	10.129	2.6	105.8
Finland	(FM)	8.1398	-0.0923	340 - 456	8.2370	8.1290	-	-	-	-	-	-	83.3
France	(FFr)	9.2018	-0.0942	990 - 046	9.2807	9.1888	9.1797	2.9	9.136	2.9	8.9189	3.1	106.4
Germany	(DM)	2.7283	-0.03	272 - 293	2.7499	2.7229	2.7216	2.9	2.7081	3.0	2.6414	3.2	105.2
Greece	(Dr)	428.527	-4.148	353 - 701	432.381	427.915	-	-	-	-	-	-	66.4
Ireland	(I£)	1.0285	-0.0036	275 - 294	1.0328	1.0276	1.0282	0.4	1.0273	0.5	1.0207	0.8	102.1
Italy	(L)	2712.25	-20.07	086 - 365	2732.56	2707.57	2715.65	-1.5	2720.5	-1.2	2723.3	-0.4	76.0
Luxembourg	(LFr)	56.2794	-0.5944	415 - 173	56.7030	56.2010	56.1544	2.7	55.8944	2.7	54.5694	3.0	103.6
Netherlands	(Fl)	3.0712	-0.0351	701 - 722	3.0956	3.0667	3.0631	3.2	3.0473	3.1	2.9718	3.2	103.1
Norway	(NKr)	10.9368	-0.1978	328 - 408	11.1202	10.8918	10.9123	2.7	10.8638	2.7	10.6383	2.7	102.2
Portugal	(Es)	273.788	-2.766	648 - 928	276.054	273.397	273.926	-0.6	274.213	-0.6	-	-	94.7
Spain	(Pta)	231.403	-2.009	321 - 486	232.910	231.080	231.536	-0.7	231.403	0.0	229.928	0.6	77.8
Sweden	(SKr)	12.1828	-0.1636	741 - 915	12.3159	12.1590	12.1638	1.9	12.1243	1.9	11.9283	2.1	84.9
Switzerland	(SFr)	2.3584	-0.0246	571 - 597	2.3733	2.3541	2.3496	4.5	2.3317	4.5	2.2475	4.7	102.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	97.3
Ecu	-	1.4042	-0.0127	032 - 051	1.4140	1.4022	1.402	1.9	1.3973	2.0	1.3722	2.3	-
SDR†	-	1.167431	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6016	-0.0023	012 - 020	1.6051	1.5940	-	-	-	-	-	-	-
Brazil	(R$)	1.6863	-0.0027	857 - 868	1.6902	1.6788	-	-	-	-	-	-	-
Canada	(C$)	2.1959	+0.0009	950 - 968	2.1999	2.1879	2.19	3.2	2.1793	3.0	2.1347	2.8	85.4
Mexico	(New Peso)	12.7435	-0.1246	367 - 503	12.8231	12.7367	-	-	-	-	-	-	-
USA	($)	1.6019	-0.0028	015 - 022	1.6059	1.5948	1.601	0.7	1.5993	0.7	1.5924	0.6	104.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0329	+0.001	318 - 340	2.0424	2.0287	2.0328	0.1	2.032	0.2	2.0279	0.2	98.3
Hong Kong	(HK$)	12.4031	-0.0218	996 - 066	12.4353	12.3498	12.3985	0.4	12.3875	0.5	12.3474	0.4	-
India	(Rs)	57.4343	-0.0975	817 - 869	57.5800	57.1900	-	-	-	-	-	-	-
Israel	(Shk)	5.3808	-0.0234	769 - 847	5.4033	5.3667	-	-	-	-	-	-	-
Japan	(Y)	194.913	-0.772	807 - 020	195.730	194.250	193.943	6.0	192.083	5.8	183.473	5.9	124.7
Malaysia	(M$)	3.9694	-0.013	677 - 711	3.9805	3.9519	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2797	+0.003	784 - 810	2.2865	2.2715	2.2826	-1.5	2.2877	-1.4	2.3079	-1.2	116.4
Philippines	(Peso)	42.1768	-0.083	355 - 180	42.2180	42.1355	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0077	-0.0107	061 - 092	6.0226	5.9815	-	-	-	-	-	-	-
Singapore	(S$)	2.2947	-0.006	933 - 960	2.3020	2.2868	-	-	-	-	-	-	-
South Africa	(R)	7.1010	-0.0552	970 - 050	7.1672	7.0915	-	-	-	-	-	-	-
South Korea	(Won)	1401.62	+8.33	811 - 513	1405.91	1393.25	-	-	-	-	-	-	-
Taiwan	(T$)	44.0630	-0.0463	413 - 246	44.1783	43.9048	-	-	-	-	-	-	-
Thailand	(Bt)	41.5440	-0.106	949 - 931	41.6600	41.3720	-	-	-	-	-	-	-

† Rates for Mar 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.9875	-0.1091	850 - 899	12.0600	11.9780	12.0819	1.5	12.0366	2.0	11.8418	2.1	103.2
Belgium	(BFr)	35.1340	-0.308	180 - 500	35.4500	35.1010	35.382	2.0	35.2545	2.1	34.7145	2.1	103.3
Denmark	(DKr)	6.4953	-0.0552	943 - 963	6.5416	6.4895	6.5416	1.8	6.5232	1.7	6.4415	1.7	105.0
Finland	(FM)	5.0815	-0.0485	790 - 840	5.1330	5.0786	5.1212	2.1	5.1025	2.1	5.02	2.1	82.5
France	(FFr)	5.7445	-0.0485	440 - 450	5.7785	5.7410	5.7823	2.2	5.7613	2.2	5.653	2.4	105.7
Germany	(DM)	1.7032	-0.0157	029 - 035	1.7156	1.7018	1.7157	2.2	1.7092	2.3	1.6755	2.5	104.5
Greece	(Dr)	267.520	-2.11	470 - 570	269.480	267.270	271.185	-6.9	273.755	-6.1	284.78	-5.5	66.1
Ireland	(I£)	1.5575	+0.0026	565 - 585	1.5585	1.5497	1.5544	0.3	1.5539	0.3	1.5552	0.0	-
Italy	(L)	1693.20	-9.5	270 - 370	1703.20	1691.70	1705.7	-2.1	1710.55	-1.8	1720.35	-1.0	75.8
Luxembourg	(LFr)	35.1340	-0.308	180 - 500	35.4500	35.1010	35.382	2.0	35.2545	2.1	34.7145	2.1	103.3
Netherlands	(Fl)	1.9173	-0.0185	170 - 175	1.9320	1.9161	1.932	2.4	1.924	2.4	1.8884	2.4	102.6
Norway	(NKr)	6.8278	-0.1111	266 - 286	6.9320	6.8106	6.9349	0.6	6.9299	0.5	6.9037	0.5	100.8
Portugal	(Es)	170.920	-1.42	870 - 970	172.200	170.800	172.47	-0.9	172.62	-0.6	172.355	0.0	95.1
Spain	(Pta)	144.460	-0.995	440 - 480	145.350	144.390	145.546	-0.7	145.665	-0.6	145.46	0.0	77.4
Sweden	(SKr)	7.6055	-0.0884	017 - 092	7.6840	7.5961	7.6911	0.4	7.6813	0.7	7.6339	0.8	84.1
Switzerland	(SFr)	1.4723	-0.0127	718 - 728	1.4795	1.4707	1.4803	3.8	1.4708	3.8	1.4253	4.0	102.2
UK	(£)	1.6019	-0.0028	015 - 022	1.6059	1.5948	1.6036	0.7	1.602	0.7	1.5952	0.6	97.8
Ecu	-	1.1408	+0.0082	403 - 413	1.1420	1.1351	1.1338	-1.2	1.1363	-1.3	1.1516	-1.7	-
SDR†	-	0.72683	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0527	+0.0001	526 - 528	1.0530	1.0523	-	-	-	-	-	-	-
Canada	(C$)	1.3709	+0.003	706 - 711	1.3717	1.3695	1.365	2.5	1.3598	2.4	1.3384	2.2	85.5
Mexico	(New Peso)	7.9555	-0.0635	530 - 580	7.9580	7.9520	8.137	-17.7	8.4035	-19.2	9.264	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	105.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2691	+0.0029	687 - 695	1.2721	1.2687	1.2669	-0.7	1.2677	-0.5	1.273	-0.5	100.8
Hong Kong	(HK$)	7.7430	+0.0003	425 - 435	7.7438	7.7425	7.7426	0.0	7.7431	0.0	7.7542	-0.1	-
India	(Rs)	35.8550	+0.003	300 - 800	35.8800	35.8300	36.067	-7.2	36.527	-7.5	-	-	-
Israel	(Shk)	3.3591	-0.0086	574 - 608	3.3690	3.3574	-	-	-	-	-	-	-
Japan	(Y)	121.680	-0.265	640 - 720	122.130	121.570	121.41	5.3	120.385	5.1	115.585	5.2	125.6
Malaysia	(M$)	2.4780	-0.0037	775 - 785	2.4813	2.4755	2.4846	-1.4	2.4899	-1.3	2.5112	-1.2	-
New Zealand	(NZ$)	1.4232	+0.0045	227 - 237	1.4243	1.4227	1.421	-1.9	1.4253	-1.9	1.446	-1.9	-
Philippines	(Peso)	26.3300	+0.0075	100 - 500	26.3500	26.3100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7506	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4325	-0.0012	320 - 330	1.4338	1.4320	1.4315	1.8	1.4269	1.9	1.4057	2.0	-
South Africa	(R)	4.4330	-0.0265	315 - 345	4.4650	4.4305	4.5002	-11.0	4.5752	-10.4	4.89	-9.7	-
South Korea	(Won)	875.000	+5.5	000 - 000	877.000	873.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5200	+0.02	000 - 400	27.5400	27.5000	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.9350	-0.02	100 - 600	25.9600	25.9100	26.045	-4.2	26.2125	-4.0	26.85	-3.4	-

† SDR rate per $ for Mar 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 7: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

March 10	Over night	One month	Three mths	Six mths	One year	Lomb. Inter	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	3	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	7.35
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	6	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	6	-	-	-
US Dollar CDs	-	5.18	5.25	5.35	5.61	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{1}{4}$ - 3	$3\frac{1}{2}$ - [illegible]	$3\frac{1}{2}$ - [illegible]	$3\frac{1}{2}$ - [illegible]	[illegible]	$3\frac{1}{2}$ - [illegible]
Danish Krone	[illegible]	[illegible] - $3\frac{1}{2}$	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	$3\frac{1}{8}$ - 3	[illegible]	[illegible] - 3	[illegible]	[illegible]	$3\frac{1}{2}$ - $3\frac{1}{4}$
French Franc	$3\frac{1}{4}$ - $3\frac{1}{8}$	[illegible]	$3\frac{3}{8}$ - $3\frac{1}{8}$	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	6 - [illegible]	[illegible] - 6	[illegible]	[illegible]	[illegible]
Swiss Franc	2 - $1\frac{1}{2}$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - $3\frac{1}{4}$	$3\frac{3}{4}$ - $3\frac{1}{2}$
US Dollar	$5\frac{1}{8}$ - 5	[illegible]	[illegible]	[illegible]	[illegible]	6 - [illegible]
Italian Lira	[illegible]	[illegible] - $7\frac{1}{4}$	[illegible]	[illegible] - $7\frac{1}{4}$	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	[illegible] - $3\frac{1}{4}$	$3\frac{1}{2}$ - [illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.62	96.61	-0.02	96.63	96.61	9,560	40,912
Jun	96.58	96.54	-0.04	96.59	96.53	21,126	61,242
Sep	96.51	96.44	-0.07	96.51	96.43	14,256	43,628

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr	96.74	96.73	-0.01	96.74	96.73	525	7056
Jun	96.73	96.71	-0.01	96.74	96.70	30389	199878
Sep	96.63	96.60	-0.02	96.64	96.58	37425	176161
Dec	96.46	96.42	-0.02	96.47	96.40	33787	190762

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.69	96.71	+0.01	96.71	96.68	421	19200
Apr	-	96.76	-	-	-	0	4518
May	-	96.78	-	-	-	0	3997
Jun	-	96.78	-	-	-	0	510

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.72	92.71	-0.04	92.73	92.70	2586	61875
Jun	93.16	93.12	-0.05	93.16	93.10	8024	102309
Sep	93.43	93.41	-0.04	93.43	93.38	3778	47829
Dec	93.49	93.50	-0.03	93.52	93.47	2538	34310

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.11	98.12	+0.02	98.15	98.10	2946	27842
Jun	98.11	98.14	+0.02	98.15	98.11	7573	37659
Sep	98.10	98.12	+0.01	98.13	98.10	1875	20676
Dec	98.00	98.00	+0.02	98.00	97.98	861	14103

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.45	99.45	-	99.45	99.45	2	n/a
Jun	99.40	99.40	-0.01	99.40	99.40	202	n/a
Sep	99.30	99.30	-0.01	99.30	99.30	3600	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.74	95.74	-	95.75	95.73	841	8215
Jun	95.76	95.75	-0.02	95.76	95.75	434	6972
Sep	95.73	95.72	-0.02	95.73	95.71	249	4420
Dec	95.68	95.68	-0.02	95.68	95.66	155	4568

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.21	0.69	1.02	0	0.07	0.11
9275	0.02	0.49	0.82	0.06	0.12	0.16
9300	0	0.33	0.64	0.29	0.21	0.23

Est. vol. total, Calls 898 Puts 3674. Previous day's open int., Calls 180291 Puts 92316

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.35	4.847	1.827	4819	5.457	19.44	486.3	411.2	21.64	4.190	1.777	3.902	2.846	346.3	2.495
Denmark	(DKr)	54.12	10	8.847	2.623	0.988	2608	2.953	10.52	263.2	222.5	11.71	2.267	0.962	2.112	1.540	187.4	1.350
France	(FFr)	61.17	11.30	10	2.965	1.117	2948	3.338	11.89	297.5	251.5	13.24	2.563	1.087	2.387	1.741	211.8	1.526
Germany	(DM)	20.63	3.812	3.373	1	0.377	994.1	1.126	4.010	100.3	84.82	4.465	0.864	0.367	0.805	0.587	71.44	0.515
Ireland	(I£)	54.75	10.12	8.950	2.654	1	2638	2.987	10.64	266.2	225.1	11.85	2.294	0.973	2.136	1.558	189.6	1.366
Italy	(L)	2.075	0.383	0.339	0.101	0.038	100.	0.113	0.403	10.09	8.532	0.449	0.087	0.037	0.081	0.059	7.187	0.052
Netherlands	(Fl)	18.33	3.387	2.996	0.888	0.335	883.1	1	3.562	89.12	75.35	3.966	0.768	0.326	0.715	0.522	63.46	0.457
Norway	(NKr)	51.44	9.506	8.410	2.494	0.940	2479	2.807	10	250.2	211.5	11.13	2.155	0.914	2.007	1.464	178.2	1.283
Portugal	(Es)	20.56	3.800	3.362	0.997	0.376	990.9	1.122	3.997	100.	84.55	4.450	0.862	0.365	0.802	0.585	71.21	0.513
Spain	(Pta)	24.32	4.494	3.976	1.179	0.444	1172	1.327	4.728	118.3	100.	5.264	1.019	0.432	0.949	0.692	84.23	0.607
Sweden	(SKr)	46.21	8.539	7.554	2.240	0.844	2227	2.521	8.982	224.7	190.0	10	1.936	0.821	1.803	1.315	160.0	1.153
Switzerland	(SFr)	23.87	4.411	3.902	1.157	0.436	1150	1.302	4.640	116.1	98.13	5.165	1	0.424	0.931	0.679	82.65	0.595
UK	(£)	56.28	10.40	9.201	2.728	1.028	2712	3.071	10.94	273.7	231.4	12.18	2.358	1	2.196	1.602	194.9	1.404
Canada	(C$)	25.63	4.736	4.190	1.242	0.468	1235	1.398	4.982	124.6	105.4	5.546	1.074	0.455	1	0.730	88.75	0.639
US	($)	35.13	6.492	5.743	1.703	0.642	1693	1.917	6.829	170.8	144.4	7.603	1.472	0.624	1.371	1	121.7	0.876
Japan	(Y)	28.88	5.336	4.721	1.400	0.527	1391	1.576	5.613	140.4	118.7	6.249	1.210	0.513	1.127	0.822	100.	0.720
Ecu		40.09	7.407	6.553	1.943	0.732	1932	2.187	7.792	194.9	164.8	8.675	1.679	0.712	1.564	1.141	138.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5832	0.5876	+0.0044	0.5876	0.5861	26,332	84,343
Jun	0.5881	0.5908	+0.0044	0.5908	0.5894	8,216	28,471
Sep	0.5938	0.5938	+0.0037	0.5938	0.5938	26	2,618

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6764	0.6793	+0.0033	0.6800	0.6787	16,097	43,393
Jun	0.6838	0.6856	+0.0035	0.6861	0.6848	7,153	12,798
Sep	0.6923	0.6923	+0.0037	0.6923	0.6923	16	1,895

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8198	0.8222	+0.0008	0.8230	0.8215	18,520	63,817
Jun	0.8300	0.8327	+0.0008	0.8335	0.8322	8,389	15,164
Sep	0.8445	0.8445	+0.0014	0.8445	0.8445	31	729

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6018	1.6002	-0.0018	1.6054	1.5950	14,057	32,815
Jun	1.6012	1.5978	-0.0014	1.6028	1.5922	3,947	6,496
Sep	1.5950	1.5950	-0.0016	1.5950	1.5930	4	1,228

UK INTEREST RATES

LONDON MONEY RATES

Mar 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - $5\frac{1}{2}$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	6 - [illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc. Ave. tender rate of discount on Feb 28, 5.7574pc. ECGD fixed rate Stlg. Export Finance. Make up day Feb 28, 1997. Agreed rate for period Mar 26, 1997 to Apr 21, 1997, Scheme III 7.53pc. Reference rate for period Feb 1, 1997 to Feb 28, 1997, Schemes IV & V 6.286pc. Finance House Base Rate $6\frac{1}{2}$pc from Mar 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.76	93.75	-	93.76	93.74	7082	89098
Jun	93.61	93.60	+0.01	93.63	93.59	17600	131386
Sep	93.39	93.41	+0.03	93.43	93.39	17854	95731
Dec	93.25	93.27	+0.04	93.29	93.24	14285	64850
Mar	93.13	93.16	+0.05	93.17	93.13	2745	46826

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.02	0.08	0.08	0.02	0.21	0.42
9400	0	0.01	0.03	0.25	0.41	0.62
9425	0	0	0.01	0.50	0.65	0.85

Est. vol. total, Calls 2811 Puts 3650. Previous day's open int., Calls 226357 Puts 190484

EMS EUROPEAN CURRENCY UNIT RATES

Mar 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	195.852	-0.161	-0.78	2.71	5
Finland	5.85424	5.82144	-0.01032	-0.56	2.48	4
Ireland	0.798709	0.736145	+0.003609	-7.83	10.57	53
Spain	163.826	165.472	+0.011	1.00	0.89	-7
Denmark	7.34555	7.44115	-0.01092	1.30	0.60	-9
Netherlands	2.16979	2.19802	-0.00376	1.30	0.60	-10
Germany	1.92573	1.95154	-0.0032	1.34	0.56	-13
Belgium	39.7191	40.2609	-0.0646	1.36	0.54	-10
Austria	13.5485	13.7346	-0.0221	1.37	0.53	-10
Italy	1906.48	1940.29	+2.64	1.77	0.13	-13
France	6.45863	6.58181	-0.00997	1.91	0.00	-16
NON ERM MEMBERS						
Greece	295.269	306.720	-0.171	3.88	-1.90	-
UK	0.793103	0.715702	+0.005891	-9.76	12.93	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.600	0.82	1.75	2.51	0.75	1.77	2.52
1.610	0.43	1.29	2.08	1.35	2.33	3.08
1.620	0.18	0.93	1.67	2.11	2.92	-

Previous day's vol., Calls 416 Puts 471. Prev. day's open int., Calls 35,463 Puts 51,192

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
0.590	0.10	0.41	0.77	0.76	1.04	1.21
0.595	0.04	0.31	0.58	1.19	1.42	1.57
0.600	0.01	0.20	0.44	1.67	1.77	-

Previous day's vol., Calls 591 Puts 1,245. Prev. day's open int., Calls 38,253 Puts 32,775

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.42	94.42	-	94.43	94.42	78,736	348,351
Jun	94.20	94.20	-0.07	94.22	94.20	178,895	432,131
Sep	94.02	94.00	-0.20	94.02	94.00	221,965	329,749

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.89	94.90	-	94.91	94.87	939	2,916
Jun	94.76	94.75	-	94.76	94.75	609	4,782
Sep	94.57	94.56	-	94.57	94.56	72	2,044

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.22	0.22	0.23	0.24	0	0.01	0.02	0.03
9675	0.01	0.03	0.05	0.05	0.04	0.07	0.09	0.10
9700	0	0	0.01	0.01	0.28	0.29	0.30	0.30

Est. vol. total, Calls 6100 Puts 4450. Previous day's open int., Calls 841854 Puts 319430

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.01	0.09	0.17	0.14	0.20	0.30
9850	0	0.03	0.07	0.38	0.39	0.45

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6715 Puts 3970

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk.	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00	● Members of London Investment Banking Association	
Citibank NA	6.00	Julian Hodge Bank	6.00	* In administration	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

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OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	★	484½	−2½	[illegible]	407½	4,722	6.5	13.7
Bulmer (HP)	★†	625	—	625	477	330.0	2.7	18.8
Burn St Dist	★	70½	—	131	[illegible]	41.8	6.0	74.9
Glenmorangie A	†	[illegible]	—	[illegible]	615	136.7	1.5	27.3
B	†	[illegible]	—	[illegible]	[illegible]	45.0	0.7	61.2
Grand Met	★	484½xd	+5½	[illegible]	411	10,186	4.1	15.6
Guinness	★†	[illegible]	+½	481	[illegible]	9,133	3.9	15.0
Highland	★	372½	+3½	380	320	486.5	2.8	18.0
5¼pc Cnv Bds		97½	—	101½	94¼	—	—	—
Kirin Y		610½	−3	[illegible]	[illegible]	5,372	1.2	19.7
Matthew Clark	★‡	321½xd	+½	[illegible]	253½	284.6	9.3	15.3
Merrydown	★†	106	—	141	91½	11.6	5.4	14.3
Seagram C$		£24¾	+⅛	[illegible]	£20¼	6,781	1.8	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
BG	★xW	187½	−5½	188½	134	7,411	11.4	18.9
International Energy	★†	91½	−1	100	84½	51.6	4.8	11.9

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

ATSP Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Philippines Long Term Equity				
NAV Feb 28	$43.69		—	-

AXA Asset Management

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Valeurs	FF1208.876		—	-
AXA Europe Actions Cap.	FF1385.868		—	-
AXA Europe Actions Dist.	FF1353.940		—	-
AXA MPI Cap.	FF1155.087		—	-
AXA MPI Dist.	FF1150.580		—	-

Apax Bank & Trust Company

	Selling Price	Buying Price	+ or -	Yield Gross
GCM Intl Equity (OEC)	$133.22		—	-

Acciones y Valores de Mexico SA de CV

	Selling Price	Buying Price	+ or -	Yield Gross
Accival Mar 10	Pesos85.32		-0.43	-

Africa Emerging Markets Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Feb 28	$15.148		—	-

Agribusiness Fund Management Co

	Selling Price	Buying Price	+ or -	Yield Gross
ABC Bond	$10.00		—	-
Circuit	$1.11		—	-

Alpha Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Alpha Europe Jan 31	Ecu282.05		—	-
Alpha Futures Jan 31	$256.53		—	-
Alpha Global Jan 31	$1087.12		—	-

Global Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Strategic				
Diversity Strategic A	137.58		—	-
Diversity Strategic B	134.64		—	-
European Strategic A	130.87		—	-
European Strategic B	134.07		—	-
Trading Strategic A	131.58		—	-
Trading Strategic B	129.25		—	-
Developing Mkts Strategic A	134.21		—	-
Developing Mkts Strategic B	135.28		—	-

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
International Funds				
JF American Growth Tst	$31.15	32.86	+0.16	-
JF Continental Euro Tst	$4.65	4.92		-
JF European Tst	$20.00	21.17	-0.03	-
JF Germany Tst	DM14.47	15.32	-0.16	-
JF Global Bond & Currency Fd	$17.84	18.88	-0.03	6.9
JF Global Convertible Tst	$14.75	15.61	+0.01	-
JF Global Securities Tst	$25.73	27.23	+0.08	-
JF International Bond	$10.28	10.67	+0.01	-
JF Managed Currency Fd	$15.31	16.20	-0.05	-

LONDON STOCK EXCHANGE

FTSE indices advance to new record highs

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The London market's irrepressible mood continued yesterday, with all the main FTSE indices building on last week's strong performance and posting new intra-day and closing highs.

Behind the latest upside spiral, which saw stock prices across Europe hit new highs, was last Friday's move back above the 7,000 level by Wall Street's Dow Jones Industrial Average and some encouraging economic news.

The latter included a sharp retreat by sterling, which fell around a point on the Bank of England's index against a basket of leading currencies, plus news of much weaker-than-expected producer input and output prices.

Sterling's three pfennig decline against the D-Mark and a near one cent fall against the dollar gave an instant push to the big exporters.

The currency's drive was prompted initially by remarks from Mr Eddie George, Governor of the Bank of England, who said he expected the UK to achieve its 2.5 per cent inflation target by the middle of the year.

However, he also warned that he expected the inflation rate to pick up during the following year.

The producer price data were interpreted by the market as an indicator of lessening inflationary pressures. Both input and output prices were lower than forecast and seen as reducing the possibility of an early increase in UK interest rates.

Adding to the generally bullish feeling around the stockmarket was a generally well received batch of company news reports, coupled with the continuing expectation of a renewed burst of merger and/or takeover activity in the near to medium term.

The FTSE 100 index powered ahead to a new closing record of 4,437.4, up 17.1 on the session, having spiralled upwards to a new all-time high of 4,440.8 during the morning.

Other FTSE indices were equally impressive, the FTSE 250 moving ahead to end the day a net 15.4 higher at a record 4,729.2. Not to be outdone, the SmallCap index closed 3.5 to the good at a peak 2,366.1.

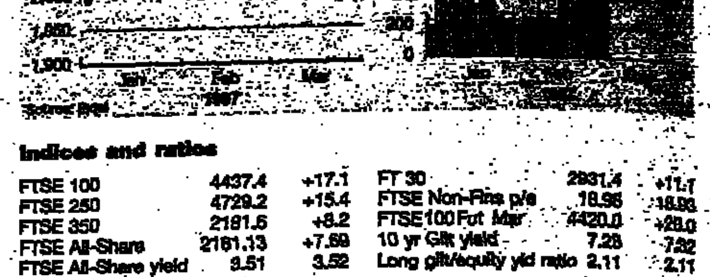
Dealers said the stock market had now factored in most of the political risks – a new Labour government is seen as a virtual certainty – and was now concentrating on the market's fundamentals after the general election.

The latest company news reports were generally welcomed, with figures from top-quality companies such as Laporte and IMI, to name but a few, helping to encouraging the big institutions.

Other news items that excited the market included excellent earnings news plus the surprise of the flotation of General Cable, announced by Wassall, the conglomerate.

Oil shares remained very much in the picture, with the second line exploration stocks responding to a report that Enterprise Oil was looking to make a £1bn-plus acquisition.

Turnover at 5pm was 667m shares.



Indices and ratios

FTSE 100	4437.4	+17.1	FT 30	2931.4	+11.1
FTSE 250	4729.2	+15.4	FTSE Non-Fins p/e	18.96	18.93
FTSE 350	2181.6	+8.2	FTSE100 Fut Mar	4420.0	+20.0
FTSE All-Share	2161.13	+7.69	10 yr Gilt yield	7.28	7.32
FTSE All-Share yield	3.51	3.52	Long gilt/equity yld ratio	2.11	2.11

Best performing sectors

1. Diversified Industrials .... +1.8
2. Pharmaceuticals .... +1.6
3. Engineering .... +1.1
4. Consumer Goods .... +1.1
5. Water .... +0.9

Worst performing sectors

1. Gas Distribution .... -3.1
2. Life Assurance .... -1.5
3. Insurance .... -1.2
4. Health Care .... -0.3
5. Household Goods .... -0.3

Broker advice lifts EMI

By Peter John, Lisa Wood and Joel Kibazo

EMI, the music company which has tumbled more than 20 per cent since it demerged from Thorn last summer, showed signs of spring growth yesterday.

The shares rose 24½ to 1,197½ with help from a weighty broker recommendation and some aggressive marketmaker activity on a day when stock supplies were already tight.

Panmure Gordon published its annual media review and argued that, despite 12 per cent sector outperformance against the FTSE All-Share index, investors should remain buyers.

Panmure believes "electronic and digital media continues to be an area of almost limitless potential" and cites EMI as one of its nap stocks with a target price of 1,400p. The other four recommendations are Reed Elsevier, Reuters International, United News & Media and WPP.

Also, one dealer was apparently trying to buy 300,000 shares, possibly to balance the book after a sale of shares to company directors late last week.

Reed rose 5 to 1,191p, United News 2½ to 740p, and WPP a penny to 262¼p, while Reuters was steady at 645p. Pearson, which was on Panmure's nap list last year and has been demoted to a "hold", saw its early gains reigned back and closed 4 higher at 790½p. The media conglomerate, which owns the Financial Times, is to announce full-year figures tomorrow.

Exploration and production stocks were the main focus of intrigue within the oil sector as a story in the weekend press suggested Enterprise Oil, which is to announce figures on Thursday, was planning a £1bn acquisition programme.

Investors immediately alighted on British-Borneo, the small company whose high-profile exposure to the oil-rich Gulf of Mexico has helped the company's shares double in value since late last year.

Borneo added another 37½ at 1,350p but some analysts said that with a market valuation above £850m Borneo was now too expensive in view of the premium that an aggressor would need to pay. Instead, they favoured Monument Oil & Gas, whose shares gained 2¼ to 86¾p. Enterprise was restrained at 637½p.

Meanwhile Shell Transport lifted 11½ to 1,093½p – a new closing high – as investors responded to a strong recommendation late last week from NatWest Securities.

Rehabilitation of Glaxo Wellcome gained pace yesterday. The shares rose 29 to 1,117½p, capping a gain of 8 per cent over the past three days for the world's biggest drugs group.

An enthusiastic post-results presentation to analysts in New York late on Friday gave a transatlantic boost to the shares and encouraged some US broker re-ratings.

Smith Barney raised its stance on the company to outperform from under-perform. And Donaldson Lufkin & Jenrette turned buyer from "under-perform".

Kingfisher fell 6½ to 680p on rumours that it is the front-runner to win control of Littlewoods' high street stores, which went up for auction last week. However, one analyst said that there were several other names in the frame.

N Brown dipped 16½ to 390p on media reports that it will buy the Freemans mail order business. Analysts said there were fears that N Brown, which would make a rights issue if it acquired the business, might overpay.

Ushers of Trowbridge made a strong market debut, jumping more than 12 per cent from its offer price to 123½p. The offering was almost three times oversubscribed at the placing price of 110p and was mostly placed with UK institutions. The brewer is using the proceeds to retire and reschedule its debt, freeing cash flow to fund expansion.

Elsewhere, Dobbies Garden Centres made a blooming stock market debut, closing at 265p after a 200p placing.

Greenalls slipped 8 to 548p following its announcement that certain Greenalls family trusts had sold 1.337m ordinary shares in the company or 0.45 per cent of the group.

Analysts said there was some "bottom fishing" in Scottish & Newcastle which rose 8 to 674½p.

Treats Group, the frozen confectionery maker, fell 8 to 132½p after it reported full-year profits down 43 per cent. The company suffered in the second half of the year from the poor weather and said it will look for markets further afield than the cloudy UK.

Innovative Technologies hardened after it announced the appointment of Mr Roy Smith as its commercial director and deputy chief executive. Mr Smith was formerly general manager of Johnson & Johnson Professional UK.

Crown Leisure rose 17 to 109½p on news that it is to buy Direct Machine Distributors for £2.52m, made up of £1.86m cash and 720,000 shares in Crown. DMD sells and distributes coin-operated amusement machines and bowling alleys within the UK and overseas.

Sunderland hardened 5 to 680p following its defeat of Manchester United.

It was the turn of the big dollar earners to shine yesterday. The bigger engineering companies were among those in favour which helped send several of the issues sharply ahead.

Siebe advanced strongly to end the day as the best performing stock in the FTSE 100. The shares rose 28¾ to 996½p, with a squeeze in some of the leading engineering stocks cited as part of the reason.

A further boost to sentiment to the engineers came with the publication of favourable full-year figures from IMI. Shares in the group raced 23¾ ahead or 6.5 per cent to 387½p as several analysts upgraded current year profit expectations by around £7m to £160m.

Other engineering stocks in demand included TI Group which reports figures tomorrow. Profits are expected to improve from £181.6m to around the £215m mark. Shares in the group yesterday gained 15 to 555½p.

Among telecom stocks, BT improved 7 to 436½p after SGST reiterated its buy stance on the stock. The broker is said to regard the stock as undervalued and predicted significant outperformance in the near term.

Shares in diversified industrials group Wassall closed 22 ahead at 376p, after the group said it was to float at least 70 per cent of General Cable Corporation in the US and return around £150m to shareholders.

The group also announced an improvement in full-year figures and raised the dividend from 5.5p to 7.1p.

FT 30 INDEX

	Mar 10	Mar 7	Mar 6	Mar 5	Mar 4	Yr ago	*High	*Low
FT 30	2931.4	2920.3	2911.5	2892.5	2884.6	2746.9	2931.4	2868.8
Ord. div. yield	3.85	3.87	3.89	3.91	3.92	3.94	4.22	3.76
P/E ratio net	18.07	17.97	17.88	17.76	17.74	16.56	18.07	15.80
P/E ratio nil	17.84	17.75	17.66	17.54	17.52	16.23	17.84	15.71

FT 30 since compilation: high 2985.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2926.1	2927.6	2930.2	2933.5	2931.2	2932.2	2932.6	2929.2	2930.9	2935.0	2924.2

	Mar 10	Mar 7	Mar 6	Mar 5	Mar 4	Yr ago
SEAQ bargains	56,969	52,770	55,031	52,508	50,812	40,361
Equity turnover (£m)†	–	2189.2	2475.3	2475.0	2600.2	1681.6
Equity bargains†	–	39,653	47,459	48,014	46,478	42,651
Shares traded (ml)†	–	746.4	804.6	804.6	881.1	966.7

†Excluding intra-market and overseas turnover.

	Mar 10	Mar 7	Mar 6	Mar 5	Mar 4	Yr ago	*High	*Low
FTSE AIM	1133.6	1131.1	1125.9	1129.3	1132.3	965.7	1140.4	965.7

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	615	Total Highs	254	Total contracts	50,028
Total Falls	372	Total Lows	20	Calls	24,671
Same	1,233			Puts	25,357

Mar 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4405.0	4420.0	+19.0	4431.0	4404.0	11637	55696
Jun	4430.0	4441.0	+20.0	4449.0	4429.0	4059	18644
Sep	4473.0	4466.0	+20.0	4479.0	4463.0	30	2365

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4727.5	4727.5	+12.5	4727.5	4727.5	36	5750
Jun	-	4747.5	+12.5	-	-	0	530

FTSE 100 INDEX OPTION (LIFFE) (*4438) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	1996/97 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	3.18	111½	103½	†Anglo-Welsh	[illegible]					
[illegible]											
75½	F.P.	2,855	77½	55	Centrica	[illegible]					
§250	F.P.	86.4	335	305	Core Group	[illegible]					
§200	F.P.	12.4	270	240	†Dobbies Garden	[illegible]					
625	F.P.	2,751	570½	520	Energy Group	[illegible]					
§160	F.P.	24.5	188½	176½	[illegible] Csh Sys	[illegible]					
§28	F.P.	5.90	31½	28½	Howle	[illegible]					
§125	F.P.	34.5	179	141½	†Infobank Intl	[illegible]					
§140	F.P.	21.2	171	164½	Nord Anglo Ed	[illegible]					
§	F.P.	67.8	292½	220	Pad Group	280½	-3	5.48	2.4	2.4	21.8
§	F.P.	11.5	5	3¾	†Screen	5		-	-	-	-24.7
	F.P.	13.2	62½	47½	TR Euro Gwth Wts	61	+1½	-	-	-	-
§	F.P.	27.8	128½	95½	Technoplast	110	+2	-	-	-	-
§110	F.P.	122.1	124½	119½	Usher Trowbridge	123½		W3.5	3.0	3.5	11.9
§40	F.P.	5.93	49½	40½	†VFG	41½		-	-	-	-28.2

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Mar 7	% chg on day	Mar 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1778.18	-1.3	1801.55	2254.98	1.72	–	2466.53	1674.81
Regional Indices								
Africa (14)	2086.17	-1.2	2112.11	2888.50	4.30	31.04	3252.18	1918.45
Australasia (6)	2062.01	+0.3	2054.96	2560.33	2.43	22.18	2844.14	1941.72
North America (12)	1660.14	-1.6	1687.30	1998.65	0.55	61.89	2134.81	1550.58

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Mar 10	Day's chge%	Mar 7	Mar 6	Mar 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4437.4	+0.4	4420.3	4399.3	4360.1	3674.5	3.62	2.09	16.55	21.90	1865.86
FTSE 250	4729.2	+0.3	4713.8	4707.5	4676.6	4212.0	3.33	1.46	25.85	14.59	1944.62
FTSE 250 ex IT	4773.8	+0.3	4758.9	4752.7	4723.3	4242.9	3.41	1.49	24.66	14.54	1967.61
FTSE 350	2191.6	+0.4	2183.4	2174.6	2156.5	1843.0	3.56	1.96	17.89	9.96	1892.01
FTSE 350 Higher Yield	2112.4	+0.4	2104.4	2091.3	2070.7	1820.8	4.66	1.86	14.47	8.23	1529.46
FTSE 350 Lower Yield	2277.8	+0.4	2269.5	2265.2	2249.8	1871.5	2.46	2.17	23.42	11.83	1608.63
FTSE SmallCap	2366.14	+0.1	2362.66	2360.08	2353.12	2044.23	2.89	1.67	25.90	8.61	1984.25
FTSE SmallCap ex IT	2373.93	+0.1	2371.25	2369.11	2363.07	2032.01	3.05	1.75	23.46	8.80	2005.50
FTSE All-Share	2161.13	+0.4	2153.44	2145.25	2128.32	1820.93	3.51	1.95	18.33	9.67	1893.83

FTSE Actuaries Industry Sectors

	Mar 10	Day's chge%	Mar 7	Mar 6	Mar 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4159.55	+0.7	4132.58	4089.84	4045.95	3227.78	3.60	2.10	16.51	15.36	1830.20
12 Extractive Industries(5)	4098.31	+0.1	4095.64	4074.12	4070.90	4173.37	3.95	2.33	13.57	0.00	1221.50
15 Oil, Integrated(3)	4287.03	+0.7	4256.51	4207.92	4158.89	3254.18	3.80	2.08	15.83	20.17	1940.21
16 Oil Exploration & Prod(12)	3592.04	+0.8	3561.94	3534.51	3498.72	2240.99	1.52	1.88	43.66	0.00	2177.77
20 GEN INDUSTRIALS(272)	2066.38	+0.7	2052.08	2042.88	2024.30	2053.98	3.82	1.89	17.31	5.65	1159.42
21 Building & Construction(35)	1369.74	.....	1370.04	1375.20	1370.05	1120.20	3.00	1.77	23.57	1.89	1171.27
22 Building Matls & Merchs(32)	1931.30	+0.3	1926.15	1931.89	1910.78	1909.00	4.13	2.54	11.96	1.00	998.84
23 Chemicals(26)	2377.49	+0.8	2359.58	2367.30	2361.37	2530.79	4.39	1.53	18.59	24.53	1166.37
24 Diversified Industrials(16)	1594.72	+1.8	1566.07	1518.62	1491.79	1775.88	4.50	1.80	15.45	4.02	924.91
25 Electronic & Elect Equip(39)	2276.48	-0.1	2277.92	2291.43	2289.79	2260.38	3.44	1.51	24.00	1.74	1209.95
26 Engineering(70)	2643.37	+1.1	2614.98	2610.11	2580.32	2307.72	3.15	2.44	16.28	7.09	1640.08
27 Engineering, Vehicles(13)	2971.57	+0.6	2952.70	2912.94	2886.20	2745.18	3.72	0.19	80.00†	3.02	1571.12
28 Paper, Pckg & Printing(27)	2587.76	-0.2	2592.04	2588.82	2534.79	2686.45	4.03	2.01	15.44	1.47	1104.45
29 Textiles & Apparel(14)	1077.86	+0.4	1073.87	1075.91	1076.48	1487.56	6.52	1.29	14.83	2.25	683.41
30 CONSUMER GOODS(95)	4243.74	+1.1	4198.44	4162.20	4101.48	3542.57	3.53	1.83	19.30	13.07	1610.23
32 Alcoholic Beverages(7)	2874.69	+0.4	2862.85	2825.00	2781.13	2783.07	4.49	1.87	14.90	31.28	1076.80
33 Food Producers(25)	2870.90	+0.7	2850.00	2848.90	2820.76	2582.41	3.83	1.86	17.58	5.51	1331.34
34 Household Goods(17)	2886.84	-0.3	2895.52	2934.29	2906.67	2462.34	3.50	2.25	15.85	2.32	1166.08
36 Health Care(16)	2206.31	-0.3	2213.64	2216.90	2213.57	1922.11	2.72	1.90	24.18	4.71	1368.06
37 Pharmaceuticals(19)	6719.03	+1.6	6611.48	6516.97	6424.58	4984.99	2.70	1.76	26.29	14.48	2526.36
38 Tobacco(2)	4608.23	+0.7	4578.07	4586.38	4432.94	4692.87	5.88	1.85	11.51	0.00	1186.70
40 SERVICES(273)	2707.91	+0.2	2703.64	2700.87	2694.11	2338.43	2.81	1.98	22.52	8.71	1440.76
41 Distributors(30)	2778.76	-0.3	2786.95	2778.86	2785.14	2620.61	3.08	1.99	20.38	8.60	1047.17
42 Leisure & Hotels(31)	3611.48	-0.1	3614.22	3586.30	3536.98	2919.25	2.51	1.70	28.21	26.05	1979.91
43 Media(44)	4391.61	+0.4	4374.30	4381.26	4385.53	3843.88	2.17	2.11	27.24	11.55	1612.93
44 Retailers, Food(15)	1963.51	-0.2	1967.65	1954.03	1957.39	1892.53	4.03	2.30	13.50	4.34	1281.25
45 Retailers, General(53)	2102.64	+0.2	2096.31	2091.53	2090.27	1943.86	3.10	2.02	19.94	7.10	1232.49
47 Breweries, Pubs & Rest.(22)	3403.04	+0.2	3394.78	3418.56	3408.90	2966.66	3.19	2.10	18.83	17.09	1678.89
48 Support Services(56)	3044.40	+0.4	3031.90	3032.61	3011.29	2073.00	1.69	2.46	30.09	3.49	1967.66
49 Transport(22)	2914.28	-0.1	2915.96	2919.29	2905.40	2361.96	3.31	1.26	29.83	6.35	1248.51
60 UTILITIES(31)	2760.99	+0.2	2755.44	2755.74	2744.03	2457.57	4.85	1.60	17.22	5.34	1254.78
62 Electricity(10)	2934.32	.....	2934.34	2940.26	2933.15	2701.32	5.77	2.20	9.84	22.08	1620.74
64 Gas Distribution(2)	1562.84	-3.1	1613.31	1599.85	1599.85	1666.94	7.80	‡	‡‡	0.00	855.15
66 Telecommunications(8)	2331.26	+0.8	2313.57	2317.74	2308.29	2035.19	3.58	1.56	22.30	0.39	1100.73
68 Water(11)	2581.52	+0.9	2559.61	2550.27	2541.74	2163.65	5.77	2.33	9.29	0.00	1493.07
69 NON-FINANCIALS(681)	2213.08	+0.5	2201.27	2191.38	2174.25	1940.05	3.58	1.85	18.96	6.67	1730.39
70 FINANCIALS(109)	3989.15	-0.3	4002.03	3995.86	3961.67	2802.87	3.54	2.38	14.84	41.48	1779.42
71 Banks, Retail(8)	5811.86	-0.1	5817.64	5822.83	5771.20	3910.70	3.44	2.65	13.72	83.22	1973.86
73 Insurance(18)	1749.01	-1.2	1770.01	1773.50	1779.60	1363.76	4.93	2.30	11.05	18.02	1369.34
74 Life Assurance(7)	4702.11	-1.5	4775.48	4695.68	4623.94	3433.13	3.42	2.13	17.14	0.00	1999.17
77 Other Financial(29)	3350.78	+0.1	3349.47	3332.55	3275.66	2505.17	2.92	2.01	21.28	15.87	1968.26
79 Property(44)	1925.26	+0.3	1920.24	1918.47	1906.98	1434.09	3.30	1.32	28.71	3.69	1219.27
80 INVESTMENT TRUSTS(127)	3390.56	+0.4	3366.73	3360.81	3341.40	3047.47	2.14	1.12	52.95	10.20	1201.15
89 FTSE All-Share(914)	2161.13	+0.4	2153.44	2145.25	2128.32	1820.93	3.51	1.95	18.33	9.67	1893.83
FTSE Fledgling	1342.99	+0.2	1340.39	1341.53	1339.48	1143.84	2.91	0.77	56.02	5.10	1434.48
FTSE Fledgling ex IT	1364.58	+0.2	1361.91	1363.56	1361.60	1148.31	3.17	0.73	53.89	5.25	1459.86

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4421.6	4426.6	4433.2	4437.5	4435.2	4437.3	4438.2	4433.4	4438.3	4440.8	4421.6
FTSE 250	4721.3	4724.7	4724.5	4725.4	4725.9	4726.1	4726.4	4727.1	4728.6	4729.2	4721.3
FTSE 350	2184.7	2186.9	2189.5	2191.3	2190.4	2191.3	2191.6	2189.8	2191.9	2192.6	2184.7

Time of FTSE 100 Day's high: 10:48 AM Day's low: 8:30 AM. FTSE 100 1996/97 High: 4437.4 (10/03/97) Low: 3632.3 (16/7/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1301.6	1301.8	1300.8	1298.6	1298.8	1298.8	1298.3	1298.6	1299.4	1299.4	1300.5	-1.1
Pharmaceuticals	6528.2	6523.9	6551.4	6574.2	6579.5	6598.2	6610.5	6602.3	6639.4	6636.1	6528.3	+107.8
Water	2561.6	2563.7	2563.5	2564.1	2567.9	2567.9	2571.1	2571.5	2575.2	2576.6	2554.2	+22.4
Banks, Retail	5856.1	5859.4	5884.2	5872.8	5876.6	5879.6	5890.8	5878.8	5890.6	5896.0	5891.9	-5.9

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1997. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. INSERT : (3/3/97) Invesco RFD (FTSE 250) & (77); NAME CHANGE: (5/3/97) Invesco & RFD now Amvesco & RFD (FTSE 250) & (77).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]		[illegible]	[illegible]	1,985	3.1	♦
Barlow		[illegible]		[illegible]	[illegible]	1,482	2.2	14.0
Gold Flds Prop R	†	140½		171½	120	14.4	6.5	10.2
NK Props		65		92	60	2.61	13.8	–
SASOL	♥	645		710	523	3,777	1.7	–
SA Brews		[illegible]		[illegible]	[illegible]	5,653	1.8	♦
Standard Bank		[illegible]		[illegible]	[illegible]	3,108	1.4	22.5
Tiger Oats		1062	+10	1150	770	1,597	1.8	20.4
Tongaat-Hulett		772½	+1½	[illegible]	678½	731.3	2.4	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
h Figures based on prospectus or other official estimates.
j Assumed dividend yield after rights issue.
k Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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4 pm close March 10

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	24¼	AAR	0.48	1.9	21	1699	25¾	25⅝	25¾	-⅛
40⅛	33	AMP	1.04	2.7	29	3404	38⅞	38	38¼	-¾
97½	68	AMR			6	4437	85⅛	83⅞	85	+1½
50½	33¼	ASA	1.20	3.3	24	293	36⅛	35⅞	36⅛	+½
60⅞	38⅛	AbbtL	1.08	1.8	24	6760	u60½	58⅞	60⅞	+1⅛
17½	12¼	Abitibi Pr x	0.40	2.4	6	1834	16⅝	16¼	16⅜	+⅛
20¼	13½	ABM Ind	0.40	2.2	17	72	18⅜	18	18⅛	
23	13⅞	AcpMcsin			11	130	22⅞	22⅝	22¾	+¾
65¾	37¼	ACE Ltd	0.72	1.1	10	417	65	64¼	64⅞	+⅛
10¾	9⅝	ACM Gvt In x	0.90	8.5	11	228	d10¾	10⅝	10⅝	
7⅞	6⅞	ACM GvOpp x	0.63	8.5		112	7½	7¼	7⅜	
9⅞	8⅝	ACM Man x	0.80	8.2		108	9¾	9⅝	9¾	
13⅞	6⅛	Acme Elect				86	6¾	6⅝	6¾	+⅛
21⅝	13⅞	Acme Mills			71	14	16½	16⅛	16½	+⅛
33¾	27¼	Acordia x	0.60	2.4	15	54	32¾	32½	32¾	+¼
29¾	12	Acuson				447	29	29⅞	29	+⅛
21⅛	17⅞	Adams Expr	0.55	2.6	1	459	21	20¾	21	+⅛
39	10¼	Adwlife				17105	u40⅞	38	40⅛	+⅝
15	8½	Advest Grp			16	293	14¾	14	14⅞	-⅛
28⅛	9⅛	Advo Inc			30	301	13⅛	12⅞	13	+¾

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 10 / Sch)

BELGIUM/LUXEMBOURG (Mar 10 / Frs.)

CZECH REP (Mar 10 / Korunas)

DENMARK (Mar 10 / Kr)

FINLAND (Mar 10 / Mks)

FRANCE (Mar 10 / Frs.)

GERMANY (Mar 10 / Dm.)

GREECE (Mar 7 / Drachma)

ITALY (Mar 10 / Lire)

NETHERLANDS (Mar 10 / Fls.)

NORWAY (Mar 10 / Kroner)

POLAND (Mar 10 / Zloty)

PORTUGAL (Mar 7 / Escudo)

SPAIN (Mar 10 / Pts.)

SWEDEN (Mar 10 / Kronor)

SWITZERLAND (Mar 10 / Frs.)

TURKEY (Mar 10 / TK Lira)

PACIFIC

JAPAN (Mar 10 / Yen)

AUSTRALIA (Mar 10 / AustS)

HONG KONG (Mar 10 / H.K.$)

INDONESIA (Mar 10 / Rupiah)

MALAYSIA (Mar 10 / MYR)

NEW ZEALAND (Mar 10 / NZ $)

SINGAPORE (Mar 10 / S$)

SOUTH KOREA (Mar 10 / Won)

TAIWAN (Mar 10 / TW $)

THAILAND (Mar 10 / Baht)

NORTH AMERICA

CANADA

TORONTO (Mar 10 / Can $)

4 pm close

MONTREAL (Mar 10 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Mar 10 / Rand)

Prices supplied by Dext, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Mar 10	Mar 7	Mar 6	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	(c)	20764.88	20454.74	21881.20	24/2/97	15287.20	22/8/96
Australia							
All Ordinaries(1/1/80)	2461.9	2438.5	2447.4	2501.70	18/2/97	2088.10	17/7/96
All Mining(1/1/80)	972.6	985.4	955.5	1118.48	8/5/96	903.80	13/12/96
Austria							
Credit Aktien(30/12/84)	412.16	411.26	412.05	412.16	10/3/97	348.19	6/9/96
Traded Index(2/1/91)	1245.98	1244.91	1250.38	1250.38	6/3/97	976.27	2/1/96
Belgium							
BEL20(1/1/91)	2205.20	2185.81	2183.53	2205.20	10/3/97	1574.90	2/1/96
Brazil							
Bovespa(29/12/83)	(c)	9181.0	9128.0	9181.00	7/3/97	4380.19	2/1/96
Canada							
Metals Mins♦(1975)	(c)	5782.90	5874.34	5782.90	7/3/97	4687.47	18/1/96
Composite♦(1975)	(c)	6268.40	6214.70	6268.40	7/3/97	4738.70	15/1/96
Portfolio§§(4/1/83)	(c)	3169.52	3133.11	3169.52	7/3/97	2327.38	12/1/96
Chile							
IPSA Gen¥(31/12/80)	(c)	5375.66	5326.77	5804.33	8/1/96	4808.17	18/12/96
Denmark							
CopenhagenSE(3/1/83)	545.70	545.74	546.06	548.92	20/2/97	388.40	2/1/96
Finland							
HEX General(28/12/90)	2978.19	2989.31	2962.28	2989.31	7/3/97	1851.67	10/1/96
France							
SBF 250(31/12/90)	1815.36	1812.63	1808.69	1815.36	10/3/97	1250.16	2/1/96
CAC 40(31/12/87)	2709.21	2708.28	2696.92	2709.21	10/3/97	1897.85	11/1/96
Germany							
FAZ Aktien(31/12/58)	1182.20	1182.79	1173.06	1182.20	10/3/97	818.56	2/1/96
Commerzbank(1/12/53)	3433.60	3376.40	3410.00	3433.60	10/3/97	2370.10	2/1/96
DAX‡(30/12/87)	3436.07	3376.20	3417.80	3436.07	10/3/97	2284.86	2/1/96
Greece							
Athens SE(31/12/80)	(c)	1319.19	1335.60	1463.68	26/2/97	872.89	7/8/96
Hong Kong							
Hang Seng(31/7/64)	13268.76	13337.35	13416.56	13868.29	20/1/97	10204.90	2/1/96
India							
BSE Sens.(1979)	3768.74	(c)	3876.04	4069.26	18/6/96	2745.06	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	688.05	683.60	683.10	712.88	26/2/97	512.48	2/1/96
Ireland							
ISEQ Overall(4/1/88)	3036.98	3049.83	3044.84	3049.83	7/3/97	2204.61	2/1/96
Italy							
Banca Comm Ital(1972)	760.14	760.85	758.19	797.71	10/2/97	672.21	27/3/96
MIB General(2/1/92)	1141.0	1142.0	1135.0	1197.00	10/2/97	961.00	3/1/97
Japan							
Nikkei 225(16/5/49)	18113.80	18198.74	18041.33	22666.80	26/6/96	17303.78	10/1/97
Nikkei 300(1/10/82)	260.04	260.49	258.46	318.70	26/6/96	251.04	27/1/97
Topix(4/1/68)	1360.15	1362.29	1354.01	1722.13	26/6/96	1328.80	27/1/97
2nd Section(4/1/68)	1671.10	1683.04	1694.92	2287.48	2/7/96	1671.10	10/3/97
Malaysia							
KLSE Comp.(4/4/86)	1237.48	1251.21	1249.84	1271.57	25/2/97	988.18	2/1/96
Mexico							
IPC(Nov 1978)	(c)	3809.75	3808.86	3838.69	25/2/97	2738.38	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	881.6	875.9	876.4	881.60	10/3/97	538.50	2/1/96
CBS All Shr(End 83)	517.4	514.1	514.3	517.40	10/3/97	326.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2280.07	2288.96	2288.18	2440.21	20/1/97	2025.14	7/6/96
Norway							
Oslo SE(Ind)(2/1/83)	1858.25	1858.48	1858.93	1941.49	20/2/97	1268.88	30/1/96
Philippines							
Manila Comp(2/1/85)	3289.34	3288.45	3275.82	3447.89	3/2/97	2578.97	2/1/96
Portugal							
BTA 30(4/1/93)	2629.20	2615.91	2612.93	2629.20	10/3/97	1602.84	2/1/96
Singapore							
SES All-S'pore(2/4/75)	548.44	552.10	550.47	610.37	5/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1404.4¥	1416.9	1430.1	2030.40	28/5/96	1339.00	3/2/97
JSE Ind.(28/9/78)	8327.0¥	8251.6	8278.0	8739.30	25/1/96	7588.80	17/12/96
South Korea							
KoreaCompEx**(4/1/80)	687.35	681.22	678.11	986.84	7/5/96	611.05	7/1/97
Spain							
Madrid SE(30/12/85)	489.60	480.89	473.37	489.60	10/3/97	323.75	11/1/96
Sweden							
AffarsvardeGen(1/2/37)	2832.4	2812.5	2784.8	2832.40	10/3/97	1786.80	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	(c)	2205.54	2155.35	2205.54	7/3/97	1518.19	17/1/96
SBC General(1/4/87)	(c)	1546.58	1539.81	1546.58	7/3/97	1114.47	26/1/96
Taiwan							
WeightedPr.**(30/6/66)	8174.18	8152.68	8081.00	8182.44	8/3/97	4690.22	6/2/96
Thailand							
Bangkok SET(30/4/75)	703.92	691.46	678.85	1415.84	6/2/96	676.85	6/3/97
Turkey							
IMKB Nat 100(1986)	1491.0	1443.00	1482.00	1700.00	27/1/97	386.00	2/1/96
WORLD							
MS Capital Intl(1/1/70)	847.7*	844.0	840.2	854.40	25/2/97	726.90	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2218.55	2200.11	2198.85	2218.55	10/3/97	1694.40	11/1/96
Euro Top-100(26/6/90)	1893.09	1878.94	1872.84	1893.09	10/3/97	1333.01	11/1/96
HSBC JC Drgn(31/12/88)	(c)	419.55	420.37	429.48	20/1/97	344.19	2/1/96
ING Bngs Emrg(7/1/92)	177.56	176.94	176.42	181.33	26/2/97	147.35	2/1/96

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Mar	2712.0	2715.0	-2.0	2733.0	2707.0	329	39,882
Apr	2713.5	2717.0	-1.5	2733.0	2713.5	419	968
DAX							
Mar	3424.0	3427.5	+4.0	3444.5	3410.5	19,647	-
Jun	3443.0	3445.0	+5.5	3461.5	3429.5	4,219	-
OMX							
Mar	2202.00	2222.50	+18.50	2229.00	2200.00	3,537	25,069
Apr	2184.00	2207.00	+13.50	2212.00	2184.00	785	2,024
SOFFEX							
Mar	4668.0	4699.0	+49.0	4702.0	4658.0	6,172	26,017
Apr	4670.0	4706.0	+54.0	4706.0	4670.0	666	3,341

* Sat Mar 8 : Taiwan Weighted Price 8182.44; Korea Comp Ex 678.07. Base values of all indices are 100 except Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Standard & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 10 - 3428.77 +7.26. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

US INDICES

Dow Jones	Mar 7	Mar 6	Mar 5	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	7000.89	6944.70	6945.85	7067.46 (18/2/97)	5032.94 (10/1/96)	7067.46 (18/2/97)	41.22 (8/7/32)
Home Bonds	103.25	103.07	103.05	106.08 (14/2/96)	100.99 (15/7/96)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2447.86	2432.14	2430.44	2447.86 (7/3/97)	1882.71 (18/1/96)	2447.86 (7/3/97)	13.23 (8/7/32)
Utilities	226.66	225.96	228.34	248.85 (22/1/97)	204.86 (30/7/96)	266.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 7047.07 (7017.05) Low 6927.00 (6895.60) (Theoretical♣)
Day's high 7018.59 (6987.85) Low 6944.70 (6937.00) (Actual♣)

Standard and Poors	Mar 7	Mar 6	Mar 5	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Composite‡	804.97	798.56	801.99	816.29 (18/2/97)	598.48 (10/1/96)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials¥	935.04	929.81	934.86	950.88 (18/2/97)	702.07 (15/1/96)	950.88 (18/2/97)	3.52 (30/6/32)
Financial	96.13	94.14	93.89	96.31 (18/2/97)	58.67 (10/1/96)	96.31 (18/2/97)	7.13 (4/8/74)
NYSE Comp.	423.83	420.24	420.67	427.07 (18/2/97)	321.41 (10/1/96)	427.07 (18/2/97)	4.64 (25/4/42)
Amex Comp.	602.06	600.31	600.88	617.81 (22/5/96)	524.20 (16/7/96)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1311.80	1315.43	1329.09	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Mar 7	Feb 28	Feb 21	Year ago
Dow Jones Ind. Div. Yield	1.93	1.95	1.94	2.18
	Mar 5	Feb 26	Feb 19	Year ago
S & P Ind. Div. yield	1.77	1.73	1.72	1.87
S & P Ind. P/E ratio	22.55	22.69	22.84	21.05

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron Tech	7,209,800	39¾	-⅜
AT & T	5,903,300	35¼	-⅛
Compaq	4,354,100	76¾	-1⅛
Hewlett Pk	4,232,600	58⅛	-1½
Armco	4,231,800	3½	-⅛
Pepsico	4,179,200	31⅛	-¼
Gen Motors	3,972,300	58¾	+¾
Seagate	3,938,000	45⅝	-⅛
Westinghse	3,727,300	19⅝	+⅜
Merck	3,620,300	93	+¾

■ TRADING ACTIVITY

● Volume (million)	Mar 7	Mar 6	Mar 5
New York SE	494.917	522.481	518.771
Amex	18.739	19.427	22.935
NASDAQ	648.415	655.241	673.301
NYSE			
Issues Traded	3,338	3,325	3,318
Rises	1,637	1,265	1,599
Falls	876	1,211	916
Unchanged	825	849	803
New Highs	214	148	124
New Lows	20	17	23

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	807.45	804.10	+3.50	807.60	804.10	84,976	158,997
Jun	815.70	811.80	+3.60	815.70	811.80	7,551	43,985

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Mar	18100.0	18060.0	-140.0	18150.0	17910.0	25,640	156,778
Jun	18100.0	18050.0	-150.0	18110.0	17880.0	30,633	191,769

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Monday, March 10, 1997

	Stocks Traded	Closing Prices	Change on day
Nomura Secs	8.4m	1470	-60
Mitsui	8.1m	859	-14
Bk Tk-Mitsubishi	6.3m	1900	-10
Shiseido	6.2m	1450	+20
Towa Bank	6.0m	638	+9
Ricoh	5.8m	1390	
Sharp Corp	5.2m	1500	-20
Tokio M&F Ins	5.1m	1180	-110
Nippon Steel Cp	4.7m	331	-3
Bridgestone Corp	4.0m	2190	-10

US shares hold above 7,000 level

AMERICAS

After managing to edge back above 7,000 points on Friday, the Dow Jones Industrial Average moved further ahead in morning trading, *writes Tracy Corrigan in New York.*

After losing some of its earlier gains, the Dow was still up 16.16 at 7,017.05 at 12.30pm, but other sectors of the market seemed to have less impetus.

The concentration of gains in the Dow stocks "suggests it's a defensive play", with investors shifting into "safe" blue-chip shares – which have tended to outperform other sectors recently – rather than a sign that the broader stock market was in for another strong run-up, according to one analyst.

The Standard & Poor's 500 was up 2.14 at 807.11 while the technology-weighted Nasdaq composite rose 6.59 to 1,318.39.

Newmont Mining fell $1⅞ to $42⅝ after it announced its acquisition of Santa Fe Pacific Gold in a stock swap, while Santa Fe said it had terminated its merger agreement with Homestake Mining. The exchange ratio of 0.43 Newmont shares for each Santa Fe share is an increase from the previous offer of 0.40 Newmont shares. Santa Fe gained $⅝ to trade at $17⅞.

H J Heinz rose $⅛ to 44¼ following a report that the company planned a restructuring in an effort to accelerate earnings growth. Directors were due to consider the plan, which involves cutting 6 per cent of the company's workforce, tomorrow.

Airline stocks were slightly higher on the news that the industry had managed to push through a 4 per cent fare increase. Although the increase will not cover a reinstated 10 per cent federal ticket tax, the gap will be smaller than some analysts had expected. UAL, parent of United Airlines, rose $⅝ to $67⅝ while AMR, American Airlines' parent, gained $¼ to $83⅝.

In the strongly performing pharmaceuticals sector, Warner Lambert shares gained $3¼ to $86¾ after Paine Webber raised the stock to a buy.

TORONTO continued to move higher. Dealers said the early strength on Wall Street allowed investors to pick up where they left off after a heady session on Friday. At noon, the 300 composite index was 31.91 higher at 6,300.30. There were further solid gains among the resource and transport sectors. Banks also stayed in demand. Royal Bank of Canada added 55 cents to C$61.15. Placer Dome gained 25 cents to C$27.80.

Seagram put on 20 cents to C$54.20. Hummingbird stood out among secondary shares, sliding C$1.60 to C$40.

Sao Paulo stays firm

SAO PAULO stayed firm ahead of today's trade figures for February. The Bovespa index, up 1.4 per cent at the close on Friday, continued to move higher in good two-way trading.

At midsession it was 189 or 2 per cent ahead at 9,369. "The upbeat mood on Wall Street is helping, but a number of investors are beginning to bet on better-than-expected trade figures," said one broker.

MEXICO CITY made a slow start, drifting lower at the opening bell. But by midmorning sentiment had swung back on to the upside in what dealers described as thin trading conditions. At midsession the IPC index was 6.44 higher at 3,816.19.

SANTIAGO made further steady gains as hopes for a reduction in local interest rates hardened. Dealers said the lack of rate news over the weekend was a disappointment but that the market still felt that the central bank was about to make a downward move. At midsession the IPSA index was up 0.57 at 117.51.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	+1.50	+4.02	+16.21	+26.87	+2.20	+5.63
Belgium	+2.21	+5.67	+28.93	+36.12	+9.35	+13.02
Denmark	+3.26	+3.09	+40.37	+50.20	+22.95	+27.07
Finland	+4.36	+6.24	+63.21	+67.54	+37.21	+41.82
France	+3.49	+4.33	+34.70	+47.72	+20.66	+24.70
Germany	+3.41	+7.33	+34.15	+45.83	+17.50	+21.44
Ireland	+0.33	+2.34	+27.25	+34.56	+26.30	+30.54
Italy	+4.48	-4.74	+25.33	+27.52	+14.96	+18.82
Netherlands	+3.84	+8.59	+45.38	+55.05	+24.24	+28.40
Norway	+3.10	+2.21	+37.31	+44.83	+27.60	+31.88
Spain	+3.85	+1.07	+48.51	+54.38	+24.58	+28.77
Sweden	+5.08	+8.07	+49.37	+63.59	+36.34	+40.91
Switzerland	+3.20	+5.58	+28.29	+38.28	+3.67	+7.15
UK	+2.40	+2.51	+16.35	+19.10	+19.10	+23.09
EUROPE	+3.16	+4.10	+28.39	+35.54	+18.53	+22.50
Australia	-0.29	-0.35	+8.01	+9.96	+12.95	+16.74
Hong Kong	-0.63	-3.70	+11.16	+25.65	+21.40	+25.47
Japan	-1.92	+2.10	-9.80	-13.07	-28.85	-26.46
Malaysia	-2.16	+0.72	+14.17	+29.16	+27.85	+32.14
New Zealand	+0.86	-2.57	+6.37	+2.98	+7.41	+11.01
Singapore	-0.90	-1.32	-2.42	+4.19	-0.54	+2.79
Canada	+2.05	+2.65	+29.30	+36.09	+31.29	+35.69
USA	+1.83	+1.84	+22.45	+30.21	+25.98	+30.21
Mexico	-0.84	+3.75	+31.41	+35.47	+25.94	+30.16
South Africa	-1.43	+2.78	+5.47	+13.46	-10.26	-7.25
WORLD INDEX	+1.41	+2.33	+16.68	+21.23	+10.26	+13.95

† Based on March 7th 1997.

Dax leads bourses to series of new peaks

EUROPE

Leading European bourses pushed deeper into new high ground, led by **FRANKFURT** where the Dax index closed 7.26 higher at an Ibis-indicated 3,426.77.

Chemicals stole the show, surging strongly in active trading on talk of bumper dividends from the sector ahead of this week's string of results.

Bayer surged DM4.35 or 6 per cent to DM77 as dealers speculated that the group could be in line to pay out up to DM1.70 to shareholders, against DM1.50 last time.

Bayer unveils its 1996 numbers today and Hoechst weighs in tomorrow. BASF completes the earnings picture for the chemicals sector a week today. Hoescht closed DM1.70 higher at DM79.50 and BASF gained DM2.51 to DM66.15.

Volkswagen staged a strong recovery, rising DM42.50 or 5 per cent to DM910 in 7.6m shares traded after Lehman Brothers set a target price for the motor giant of DM1,000.

Among secondary stocks, Holzmann climbed DM25 to DM530 on news that a vacant supervisory board seat would be filled by a Hochtief management board member. Hochtief has a long-held ambition to raise its stake in Holzmann to 35 per cent.

In the newly-opened Neue Markt, MobilComm made a dazzling debut. Against a flotation price of DM62.50, the shares ended at DM98.

PARIS managed stay at record levels in spite of a visibly mixed session. The CAC-40 closed 0.93 higher at 2,709.21.

Promodes continued to advance, buoyed by Friday's strong results and gaining a further FFr18 to FFr1,960. Accor added FFr21.00 to FFr846 for a gain of almost 7 per cent in two straight sessions.

Canal Plus jumped FFr26.00 to FFr1,100 after worries about German digital TV competition faded following the news that the BSkyB group planned to drop plans for a stake in a German network.

Elsewhere among media stocks, Pathe surged FFr90 to FFr1,508 in spite of a firm "no comment" on reports that the group planned to sell its 17 per cent stake in BSkyB for an estimated FFr18bn.

Motors stayed weak with Peugeot losing FFr18 to FFr636 and Renault off 80 centimes at FFr138.90.

AMSTERDAM notched up another peak, thanks to active buying of KPN PTT in advance of today's annual results. The AEX index closed 5.00 higher at 769.96.

There was continued heavy selling of Philips, which fell more than 2 per cent, but KPN was aggressively sought, closing Fl 3.10 or 4.6 per cent ahead at Fl 70.20 on rumours of good news to come on last year's FL2.7bn takeover of TNT of Australia.

Ahold remained in demand, rising Fl 1.50 to Fl 140.60. Philips stayed out of favour. The shares came off Fl 2.10 to Fl 88.70 in 2.5m traded for a two-day decline of almost 6 per cent.

ZURICH posted a fifth consecutive record high, supported by Wall Street and soaring government bond futures. However, some late profit-taking pulled the SMI index back from the day's best level of 4,696.5 to close 45.8 higher at 4,684.7.

Banks had a good day. UBS bearers were in demand but ran into strong resistance at SFr1,350. The shares finished SFr10 higher at SFr1,348.

SBC powered SFr6 higher to SFr307 as expectations were raised ahead of the bank's annual press conference tomorrow. Analysts noted that the market was building up its hopes for SBC's results since it was the first of the leading Swiss banks to announce sweeping changes to its provisions policy.

Foreign demand propelled Winterthur, the insurer, SFr9 higher at SFr957 and Novartis in pharmaceuticals up SFr21 to SFr1,800.

MILAN closed lower, enlivened only by interest in HPI, the newly-listed industrial holding group, and Marzotto, the textiles group, after the weekend news that they were to merge. The Comit index eased 0.71 to 760.14 while the real-time Mibtel index lost 104 to 12,126 as persistent worries about the political outlook and the EMU weighed on sentiment.

HPI, the newly-formed industrial group, made its market debut at L1,090, compared with the L1,050 theoretical value given to the share by the stock market council ahead of its quotation. At the close the shares stood at L1,106. Marzotto jumped L819 to L14,269.

Actinvest, the independent research group, noted potential synergies in the merged group and raised its recommendations on Marzotto and HPI, setting target prices of L16,250 and L1,250 respectively.

BRUSSELS saw action in the financial sector, led by a 4.4 per cent surge in Generale Bank to an all-time intra-day high of BFr13,800 as the chief executive of SGB, the holding company which owns 29 per cent of Generale, revived long-running speculation by saying that he would favour a merger with BBL.

Subsequently, the shares eased back but still closed BFr650 higher at BFr13,700, even though as SGB played down the report. BBL rose BFr110 to BFr8,200.

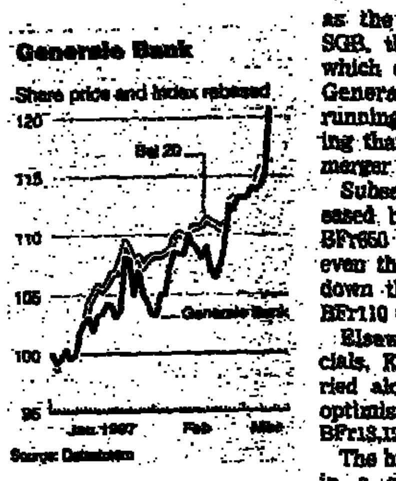
Elsewhere among financials, Kredietbank was carried along by the wave of optimism, rising BFr225 to BFr13,125.

The broad market also put in a strong performance which took the Bel-20 index 19.39 higher to a record 2,205.20 close as investors awaited a raft of results from blue chip and second line stocks, scheduled for later in the week.

Bekaert, the steel wire and cord maker, recovered from recent weakness, rising BFr725 to BFr22,675.

STOCKHOLM was boosted to a record high by the strong performance of its leading pharmaceuticals and the general index picked up 22.08 to 2,795.31.

Astra gained SKr5 to SKr376 while Pharmacia & Upjohn added SKr6.5 to SKr300.5



Source: Datastream

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Mar 10 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2209.06	2212.78	2215.73	2219.87	2219.39	2222.06	2221.13	2219.55
FTSE Eurotrack 200	2236.66	2240.47	2242.74	2247.01	2245.08	2247.68	2245.56	2243.24

	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3
FTSE Eurotrack 100	2200.11	2198.85	2166.43	2154.28	2125.56
FTSE Eurotrack 200	2232.47	2233.60	2204.80	2196.95	2186.74

Base value 1000 (26/10/90); Highday: 100 - 2222.56; 200 - 2248.84 Lowday: 100 - 2201.88 200 - 2232.39 † Partial

Written and edited by Michael Morgan and Jeffrey Brown

Nomura influence continues to depress Tokyo

ASIA PACIFIC

An absence of fresh incentives to buy and a lingering negative mood after last week's trading scandal at Nomura Securities, left **TOKYO** weaker, *writes Bethan Hutton.*

The Nikkei average finished down 84.85 at 18,113.89, after moving between 17,935.62 and 18,195.95. The Topix index of all first-section stocks slipped 2.14 to 1,360.15, while the capital-weighted Nikkei 300 index was down 0.45 at 260.04. Volume was estimated at 340m shares, similar to Friday's 336m.

In London, the ISE/Nikkei 50 index gained 1.80 at 1,409.05.

With little corporate or economic news to drive the market, brokers said that much of the volume was cross trades to book profits before the March 31 year end, or arbitrage unwinding.

Support clicked in quite rapidly below the 18,000 level, however, particularly for blue-chip issues such as Toyota and Sony. Toyota Motor gained Y10 to Y3,090, Honda Motor Y90 to Y3,810, Sony Y40 to Y8,810, and NEC Y10 to Y1,410.

Shares in Nomura Securities continued to fall in the wake of last Thursday's revelation of a series of illegal share trades linked to gangsters. Two Nomura directors announced their resignations yesterday and several investment management groups, including Nomura Investment Management, said they would transfer business away from Nomura Securities.

Nomura was the day's most actively traded issue, and dropped Y60 to Y1,470. Other securities companies declined marginally on worries that other companies might have been involved in similar activities, or that events at Nomura could delay the planned "big bang" in financial markets.

Japan Airlines fell Y6 to Y480 after downgrading its profit forecast.

Steelmakers generally softened, after strong gains on Friday following improved profit forecasts. Nippon Steel slipped Y3 to Y331, and Kawasaki Steel Y2 to Y334, but NKK gained Y3 to Y256.

Overall, losers outnumbered winners by 572 to 470, with 184 unchanged.

In Osaka, the OSE index dropped 17.49 to 19,028.04 in volume of 104.8m shares.

DHAKA continued its bear run, losing another 2.7 per cent on top of the 8.2 per cent tumble seen on Saturday and Sunday.

The DSE index gave up 40.04 to 1,434.20. Analysts said that small investors appeared to have lost confidence in the market in the continued absence of institutional support, even after the DSE index fell below the 1,500 point level.

BOMBAY tumbled 2.77 per cent as speculators who were bidders after last month's business-friendly budget unwound long positions. The BSE-30 index fell 107.30 to 3,768.74.

Analysts noted that the euphoria which followed the budget, and drove shares 16 per cent higher, had run its course in the continuing absence of foreign funds which were staying on the sidelines. Moreover, carry forward rates released on Saturday rose sharply to around 3.5 per cent from 2.5 per cent a week earlier, which reflected some large overbought positions.

Aluminium shares bucked the downtrend, however, as investors bought after the budget raised aluminium import duties. Nalco rose Rs1.75 to Rs46.25 and Hindalco picked up Rs23.50 to Rs949.

HONG KONG's blue chips were weak as concerns over the outlook for higher interest rates in coming weeks prompted investors to shun interest rate sensitive stocks and turn instead to China-related issues.

The Hang Seng index closed 68.59 down at 13,268.76 in heavy turnover of HK$13.1bn.

Among individual stocks, Continental Mariner Investment, which is planning to buy a number of China properties from its parent company, rose 35 cents to HK$4.55.

SYDNEY rallied in thin volume, comfortably making good Friday's losses with a rise of 23.4 to 2,461.9 on the All-Ordinaries index.

Brokers said the public holiday in Victoria had kept activity in check but that there had been a number of bright spots. "Much of the upturn was futures-driven. The arbitrageurs took advantage of the dull volume to push up the banks," said one trader.

NAB rose 1.4 per cent to A$16.18 and Commonwealth advanced by a similar percentage to A$13.24.

BANGKOK continued to recover with the SET index rising 11.87 to 703.82 for a two-day advance of almost 4 per cent.

The Bank of Thailand announced over the weekend that the government would shortly float up to Bt100bn of seven-year zero-coupon bonds to raise funds for the property market, now in its fourth year of severely depressed prices.

Banks bounced on the news, with the sector up more than 2 per cent. Bangkok Bank was the day's most active stock, rising Bt to Bt177.

JAKARTA ended higher on bargain-hunting among blue chips and banks. The composite index rose 4.24 or 0.62 per cent to 688.05. Bank PDFCI was the most active stock, adding Rp400 to Rp3,200 on reports that Bank Indonesia planned to sell its stake.

Industrials lift Jo'burg

Industrial shares in Johannesburg surged following a late, futures-driven rally, but golds had another deeply depressing session.

At the close, the all-share index was up 29.4 at 7,091.3 with industrials advancing 75.4 to 8,327.0.

Dealers said there was heavy positive arbitrage from the futures market ahead of tomorrow's national budget.

De Beers gained R1 to R157.50 and Anglo American put on R1 to R272. South African Breweries jumped R3 to R137. In contrast, the golds index lost 12.5 to 1,404.4 after bullion dipped below $350.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 7 1997								THURSDAY MARCH 6 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	221.84	0.1	204.97	171.00	198.25	186.83	-0.4	4.06	221.71	203.89	170.39	198.08	187.53	224.61	188.44	198.44
Austria (24)	184.35	-0.4	170.33	142.10	164.74	164.66	-0.3	1.77	185.01	170.14	142.19	165.29	165.22	195.04	174.70	184.50
Belgium (26)	236.38	-0.3	218.40	182.21	211.24	206.61	-0.3	3.16	237.12	218.07	182.24	211.85	207.91	237.12	203.64	213.81
Brazil (28)	240.48	0.7	222.19	185.37	214.90	465.93	0.7	1.31	238.75	219.66	183.49	213.30	462.62	242.07	147.48	148.72
Canada (114)	201.42	0.7	186.10	155.26	179.99	199.51	0.9	1.85	200.01	183.94	153.72	178.70	197.82	203.24	153.61	165.36
Denmark (32)	366.95	-0.2	339.04	282.86	327.92	326.93	-0.2	1.35	367.72	338.17	282.61	328.53	327.72	376.09	291.30	299.76
Finland (28)	265.30	1.2	245.12	204.50	237.08	285.63	1.2	1.93	262.23	241.16	201.54	234.28	282.11	265.30	174.47	181.36
France (91)	223.73	0.3	206.72	172.46	199.93	203.31	0.3	2.50	223.05	205.12	171.42	199.27	202.78	223.73	183.87	190.02
Germany (59)	198.78	-1.2	183.67	153.23	177.64	177.64	-1.2	1.46	201.22	185.05	154.65	179.78	179.78	201.22	164.47	172.23
Hong Kong (59)	486.46	-0.6	449.46	374.98	434.72	483.57	-0.7	3.18	489.55	450.21	376.25	437.38	486.71	514.49	402.63	438.14
Indonesia (27)	241.93	0.1	223.53	186.49	216.20	355.31	0.1	1.50	241.68	222.26	185.75	215.92	355.09	–	–	–
Ireland (16)	333.54	-0.4	308.17	257.10	298.06	302.24	-0.2	3.11	334.90	307.99	257.39	299.21	302.81	343.35	255.16	265.00
Italy (58)	87.57	1.8	80.91	67.50	78.26	111.36	1.7	1.92	86.05	79.14	66.14	76.88	109.53	98.32	70.61	76.39
Japan (480)	113.93	0.4	105.27	87.82	101.81	87.82	0.7	0.88	113.44	104.32	87.18	101.35	87.18	164.68	109.16	146.24
Malaysia (107)	641.05	-0.3	592.30	494.14	572.87	612.71	-0.1	1.04	642.96	591.29	494.14	574.43	613.07	660.85	512.47	548.83
Mexico (27)	1348.22	-0.1	1245.68	1039.25	1204.81	11820.59	-0.1	0.93	1350.19	1241.70	1037.69	1206.29	11831.98	1445.69	1048.55	1086.16
Netherland (19)	350.18	-0.2	323.55	269.93	312.93	309.39	-0.1	2.47	350.74	322.56	269.56	313.36	309.73	354.05	274.35	281.58
New Zealand (14)	88.43	0.8	81.71	68.17	79.03	86.62	0.1	4.28	87.93	80.87	67.58	78.56	86.58	96.60	75.94	78.37
Norway (41)	305.01	0.2	281.81	235.11	272.56	287.25	0.2	2.10	304.48	280.01	234.01	272.03	286.78	321.23	235.31	239.65
Philippines (22)	202.14	0.1	186.78	155.81	180.64	265.16	0.1	0.65	201.87	185.65	155.15	180.35	264.80	–	–	–
Singapore (43)	418.60	0.1	386.76	322.67	374.07	276.56	0.3	1.00	418.09	384.49	321.32	373.53	275.77	449.15	371.28	436.57
South Africa (44)	357.39	-0.6	330.21	275.49	319.37	348.35	-0.6	2.40	359.63	330.74	276.40	321.31	350.42	390.34	301.49	385.96
Spain (35)	212.71	1.8	196.53	163.96	190.08	234.39	1.9	2.73	208.94	192.15	160.58	186.67	230.11	228.16	164.81	167.31
Sweden (49)	439.78	0.5	406.33	338.99	393.00	500.91	1.0	2.07	437.45	402.30	336.20	390.83	495.75	439.78	325.69	333.82
Switzerland (35)	252.86	0.8	233.63	194.91	225.96	232.79	0.6	1.29	250.79	230.64	192.75	224.07	231.50	254.34	229.36	243.63
Thailand (45)	75.84	2.5	70.07	58.46	67.77	76.40	2.5	4.28	73.98	68.03	56.86	66.09	74.57	187.79	73.98	180.90
United Kingdom (212)	283.78	0.0	262.20	218.75	253.60	262.20	0.5	3.73	283.81	261.00	218.12	253.56	261.00	284.47	224.39	232.55
USA (654)	327.16	0.8	302.27	252.18	292.35	327.15	0.8	1.83	324.67	298.58	249.52	290.08	324.67	331.54	254.79	267.16
Americas (823)	299.57	0.8	276.78	230.91	267.70	252.13	0.8	1.82	297.33	273.43	228.51	265.64	250.21	303.45	233.09	243.36
Europe (725)	246.07	0.1	227.36	189.68	219.90	230.28	0.3	2.64	245.81	226.06	188.92	219.62	229.65	248.07	201.66	208.93
Nordic (150)	379.69	0.5	350.81	292.68	339.31	373.06	0.8	1.94	377.90	347.54	290.44	337.63	370.17	379.69	282.52	288.76
Pacific Basin (873)	135.33	0.3	125.04	104.31	120.93	103.38	0.5	1.40	134.96	124.13	103.74	120.58	102.91	177.01	131.50	160.39
Euro-Pacific (1598)	181.47	0.2	167.67	139.88	162.17	151.26	0.3	2.10	181.16	166.61	139.23	161.86	150.72	191.51	176.40	179.69
North America (768)	319.55	0.8	295.24	246.31	285.56	319.74	0.8	1.84	317.13	291.65	243.73	283.33	316.29	323.69	248.85	260.28
Europe Ex. UK (513)	220.41	0.2	203.65	169.90	196.97	209.10	0.2	2.02	220.04	202.36	169.11	196.59	207.74	220.41	189.38	188.09
Pacific Ex. Japan (393)	313.06	-0.2	289.25	241.31	279.76	270.46	-0.3	2.74	313.72	288.51	241.11	280.28	271.22	320.65	268.57	289.43
World Ex. US (1811)	185.36	0.2	171.26	142.88	165.64	157.51	0.4	2.06	185.02	170.15	142.20	165.30	156.93	193.47	177.71	180.97
World Ex. UK (2253)	225.53	0.5	208.38	173.85	201.54	200.66	0.6	1.77	224.39	206.36	172.45	200.47	199.53	228.59	199.58	205.26
World Ex. Japan (1985)	289.91	0.5	267.86	223.47	259.08	260.60	0.5	2.15	288.58	265.39	221.79	257.82	279.34	291.77	233.10	241.23
The World Index (2465)	230.51	0.5	212.98	177.68	205.99	206.24	0.6	1.96	229.45	211.02	176.35	205.00	205.10	233.38	202.32	207.69

 CONSTITUENT CHANGE WITH EFFECT 11/3/97: Addition: H.P.I. (Medium-Small Cap) (Italy). CONSTITUENT CHANGE WITH EFFECT 13/3/97: Addition: Ciba Speciality Chemicals (Registered) (Medium-Small Cap) (Switzerland). Latest prices were unavailable for this edition.

NYSE PRICES

4 pm close March 10

- X - Y - Z -

1996/97 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
63¼	39¾	Xerox x	1.28	2.0	17	5595	62½	61¾	62½	+⅝
47⅞	39¾	Xtra Corp	0.80	1.9	16	22	42	41½	41½	-¼
25¾	20⅞	Yankee Egy x	1.30	5.9	11	55	22⅛	22	22⅛	-¼
57	43¼	York Int	0.36	0.8	13	919	45⅝	45⅛	45½	+⅛
5	3	Zapata				95	4¾	4⅝	4⅝	-⅛
25¾	5⅞	ZenithEl				797	10⅛	9⅞	10	
28⅞	21⅛	Zenith Nat	1.00	3.7	12	265	27¾	27¼	27⅜	-⅛
7⅞	6½	Zenix Inc	0.73	10.1		63	u7⅞	7¼	7¼	-⅛
23¾	15⅛	Zero	0.12	0.5	17	102	22¾	22⅜	22⅝	+¼
29	18½	Zurn Ind	0.40	1.6	15	125	24¾	24½	24¾	
11⅜	10½	ZweigFd♣	1.12	10.1		215	11¼	11⅛	11⅛	-⅛
9	8	Zweig Tot	0.84	9.7		2147	8⅝	8⅜	8⅝	+⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

AMEX PRICES

4 pm close March 10

NASDAQ NATIONAL MARKET

4 pm close March 10

- L -

Stock	Div.	E	100s	High	Low	Last	Chng
Labone	0.72	84	47	18½	18	18½	+½
Ladd Furn			37	15⅝	15¼	15⅝	+1/16
Lam Rsch		12	7182	38⅛	36⅞	37⅞	+⅝
Lancaster x	0.72	16	164	45½	45	45	-⅜
Lance ♣	0.96	22	783	19	18¾	18½	-½

- R -

Stock	Div.	E	100s	High	Low	Last	Chng
Rainbow		14	595	18⅝	18	18½	+¼
Rallys			873	3	2⅝	3	+⅜
Raymond	0.35	14	871	28¼	27⅞	28	
RCSB Fin	0.60	12	1425	33¾	32½	33¾	+1
Read-Rite			15594	31⅛	29¼	29⅞	-1¼
Recoton		15	207	16⅜	16	16 5/16	
RegFinCp			1883	60⅞	60¼	60 7/16	-1/16
Repligen			354	1¼	1 7/32	1¼	
Repub Ind			7422	38⅜	35 7/16	38	-3/16
ResrchMed		23	92	23¾	23⅝	23⅝	-1/16
Resound			205	6¾	6⅞	6¾	+⅛

- X - Y - Z -

Stock	Div.	E	100s	High	Low	Last	Chng
Xilinx♣			2520806	44¾	42⅝	43	-1¾
Xircom		31	7363	17⅞	15¾	17⅞	+¾
Xoma Corp			3755	6⅞	6 9/16	6⅞	+5/16
Yellow			423	16⅞	16½	16⅝	-1/16
York Rsch		18	147	9¼	8⅞	9¼	+3/16
ZionsUtah	1.76	18	115	126½	124	126½	+2½

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$8.125		1500	8.25	8	Innogenetics	US$12.375		24870	12.5	10.5
Artwork Systems	US$10.875		3308	11.375	10.25	Mercer Internatl.	US$9.0	-0.125	1000	11.375	9.0
Dr Solomon's ADS	US$24.375	+0.25	1000	25	22.75	PixTech	US$5.375		1000	6.25	4.75
Esprit Telecom ADS	US$12.25		1000	12.5	12						

Prices for 10/3/97.

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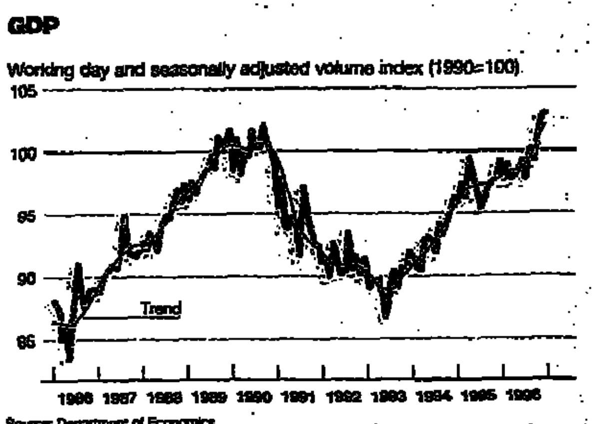
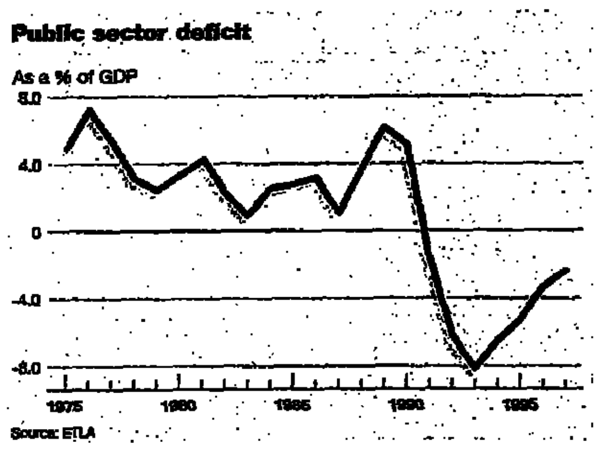
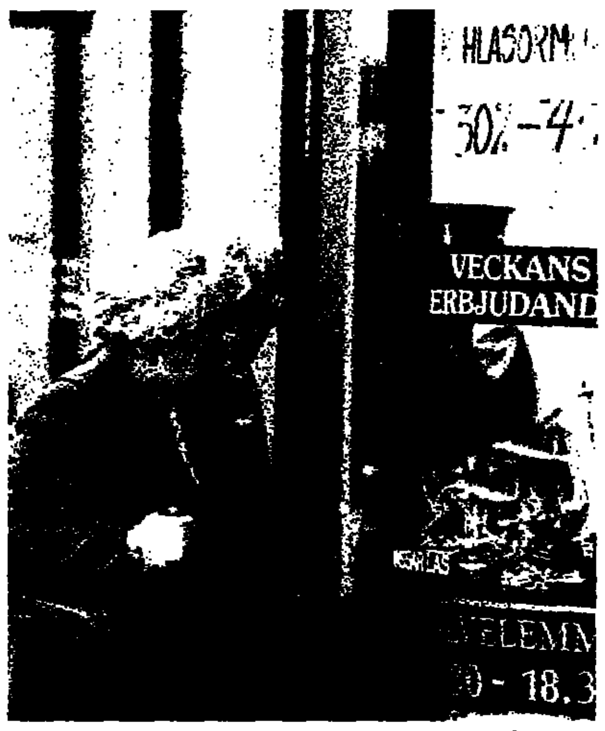
THE ECONOMY • by Greg McIvor





Domestic growth stirs

Healthy rise in GDP and low inflation point to return of feel-good factor



Mere window-shopping is disappearing; sales are increasing

As Finland's frozen landscape begins its annual thaw, the domestic economy has already moved into warmer climes. After a mini-slowdown in 1996, triggered by weaker export earnings, growth is expected to rebound strongly this year.

The key factor is the resurgence of the domestic economy, which has been depressed since Finland suffered its deepest recession in modern times at the start of the 1990s. Household savings ratios, which soared above 10 per cent of disposable income when the slump set in, have now fallen below 4 per cent.

Private consumption is expected to rise by 3.8 per cent in 1997, marking a shift away from the prevailing pattern in the Finnish economy since 1993, when growth has been powered by strong export flows while domestic demand has trailed far behind.

Official forecasts suggest gross domestic product will grow 4.6 per cent this year, while private consumption expands 3.8 per cent. This, together with a trend of low inflation, has convinced Finnish observers that the elusive feel-good factor is returning after the long crisis in which the economy shrank 12 per cent.

"For the first time in the 1990s we have both economic growth and a belief in the future – a belief that the growth will go on," says Mr Sauli Niinistö, Finland's finance minister and leader of the conservative National Coalition party.

Evidence of the upswing is seen in a revival of Finland's construction and housing industry, which has been in the doldrums since the downturn. House prices have risen by around 15 per cent in the past 18 months, although they still have some way to go to reach the levels of the late 1980s, prior to the real estate collapse which knocked 50 per cent off values.

Hopes are high among Finnish businesses and government officials that the economy is entering a period of sustainable growth. Inflation, at less than 1 per cent, is among the lowest in Europe, and double-digit growth in private investment is projected this year. Interest rates have fallen sharply, and government indebtedness is being steadily reduced.

Finland is now in the enviable position of being qualified on all the Maastricht Treaty criteria for participation in a European single currency. The markka, which had been floating since late-1992, last autumn took its first step toward membership of European monetary union by entering the European exchange rate mechanism (ERM).

The government of Prime Minister Paavo Lipponen has maintained the momentum of the fiscal drive launched by its predecessor. The budget deficit has been pruned back from a peak of 10 per cent of GDP in 1992 to 1.9 per cent this year by a tough prescription of spending cuts equivalent to 10 per cent of GDP. In addition, expenditure levels for 1998-2001 have been frozen.

Mr Niinistö, in an interview, said the country had realised there was "no going back to 1980s, when we built up such a big welfare society". Running deficits, he says, is against the Finnish tradition. "Until the early 1990s we had only a nominal public debt. We are not satisfied with having big debts. People understand it is very wrong."

While he acknowledges the government's success in reducing the budget deficit, he is adamant the fiscal grip cannot be loosened. Gross public debt was 58.8 per cent of GDP last year – inside the 60 per cent Maastricht criterion but still rising.

He says he wants to see a balanced budget by 2002 or 2003, but stresses this will require sufficiently high GDP growth. Mr Niinistö believes further cuts, such as in unemployment benefit levels, are structurally necessary. But he knows that after more than five years of austerity the public has little appetite for further belt-tightening.

"Politically, the capacity for making new cuts is not very high, especially as we have this positive economic trend at the moment," he admits. He is under pressure from National Coalition party supporters and colleagues to press for tax cuts, but remains cautious. Whilst he personally favours some easing of income tax, any reductions could not be allowed to jeopardise the reduction of the budget deficit, he stresses.

Tax is a hot topic in Finland. The top marginal income tax rate is 62.5 per cent, and the average is 38 per cent, one of the highest levels in the OECD. Mr Pentti Vantia, managing director of the Research Institute of the Finnish Economy, advocates a 5 per cent cross-the-board cut in a bid to stimulate consumer spending.

"It would support private consumption and therefore support employment, although the problem is that if you cut you have to find the money from elsewhere," he says.

Tax-cutting might not be expected to figure prominently on the agenda of a Social Democratic-led government, but the notion of easing tax burdens to create jobs strikes a chord with some of the ruling parties.

This is because unemployment, running at 16.7 per cent, is the government's biggest economic and political headache. Aside from social considerations, Finland's high levels of unemployment benefits and the cost of government-sponsored work training schemes are estimated to cost between 8 and 9 per cent of GDP.

Mr Lipponen has pledged to halve joblessness by 1998. But the promise, made when the rate was 18.4 per cent, has begun to look like wishful thinking. Even Mr Niinistö accepts the timetable has slipped.

Yet in the light of broad political acceptance of the need to maintain fiscal rigour, calls for the government to spend its way out of the problem have been surprisingly few. Business leaders, economists and even trade union leaders seem resigned to unemployment as a long-term phenomenon curable only by strong and sustained economic growth. "We will have to live with this problem for years," says Mr Pekka Sauramo, senior researcher at the Labour Institute for Economic Research.

PROFILE Prime Minister Paavo Lipponen


Paavo Lipponen: Supports Baltic states' European ambitions

Walking on a tightrope with aplomb

Visiting the office of Mr Paavo Lipponen feels a little like entering the headmaster's study. The Finnish Social Democratic prime minister has an avuncular air, but he has shown a strong hand in holding together the disparate elements that comprise his five-party coalition.

The government groups the former communist Left Alliance and Greens at one end of the spectrum with the conservative National Coalition party and the small Swedish People's party at the other. Straddling this pot-pourri has been a delicate balancing act for the softly-spoken Mr Lipponen, but one he has so far accomplished with some skill.

A former journalist and political scientist, he came to power in the 1995 general election, a year after winning the SDP leadership. Faced with the need for tough fiscal medicine to reduce state debt and ensure Finland's qualification for European monetary union (Emu), he saw the need to forge a broad-based alliance with which to anchor government decisions.

In doing so he has gently manoeuvred the left-of-centre SDP into the middle ground of Finnish politics and forged a climate of consensus with trade unions and industry which has produced harmonious industrial relations and low inflation. The country has joined the European exchange rate mechanism (ERM), and is one of a handful of European Union member-states already qualified to join Emu.

It is an impressive record, and has won praise from financial markets and European partners. But Mr Lipponen is astute enough to know that the toughest challenges lie ahead. In particular, the government's determination to be among the founder members of Emu is likely to prove the coalition's stiffest test so far.

A strong current of anti-Emu sentiment flows inside two of the coalition partners, the Left Alliance and Greens, which could make it difficult for either party to toe the government line in the parliamentary vote on accession expected early next year.

Mr Lipponen is sanguine about any threat to the coalition, noting that the government has already in practice committed to participation in Emu. A two-thirds majority in parliament is required for ratification – a vote he is strongly confident of winning.

Guiding Finland into a single European currency is Mr Lipponen's most immediate foreign policy priority. Membership would – initially at least – take Finland into the EU's inner sanctum, a step he sees as vital for ensuring the country's economic and political voice is heard at maximum volume.

In an interview, Mr Lipponen outlined his stance in more detail.

"It is a reality for us as a small country in northern Europe to be as close to the core of the union as possible in order to defend our interests," he said. In contrast to some other European countries, Finland under Mr Lipponen is an enthusiastic advocate of further European integration. "You have to play the ball to score. If you stand in the corner and expect others to pass you won't get many points."

Speculation that the timetable may be slipping causes him some anxiety. "If you lift [the start date] now there won't be any incentive for those countries with problems, and it would punish countries which are already close or have met the criteria," he says. "You can imagine the problems Germany would have with an appreciating currency. We would have to work even harder to convince the so-called markets and we could not do anything about it. I can't see that any major delay or failure would be in anybody's interests."

Mr Lipponen sees Finnish Emu entry as an important boost to its campaign to persuade EU countries to accept the three Baltic republics of Estonia, Latvia and Lithuania as members. The Baltic states, until 1991 part of the Soviet Union, are of prime strategic interest for Finland, the only EU country to share a border with Russia.

Their economic and political integration into the EU is seen by Mr Lipponen as an important factor in regional stability. He is pressing Brussels to open negotiations at the same time as enlargement talks start next year with other former eastern bloc aspirants. However, the commission favours staggering the negotiations so that bigger and more advanced countries like Poland and Hungary can enter first.

"It is very important that the Baltic countries are not left in limbo, and I understand Russia is in no way against their interest in the Union. What we want is an equal opportunity for them," Mr Lipponen says, warning other EU states against "just picking their favourites".

Meanwhile, he has toned down his reservations to the current process of Nato enlargement in eastern Europe. He said last year that Nato expansion could threaten stability in the region but insists he now has an open mind on the matter. It is clear, though, that he would rather see the Baltic states offered EU membership than Nato entry. "We believe membership of the EU would really strengthen the Baltic countries' situation without provoking countries which are outside," he says.

While he ponders foreign affairs, Mr Lipponen – a former head of the Finnish Institute of International Affairs – must watch his domestic flank. The SDP's opinion poll ratings have dropped steadily amid public dissatisfaction with the failure substantially to reduce unemployment, and the effect of welfare cuts.

Tensions in the coalition surfaced recently when a group of MPs from all the ruling parties defied the government line and voted with the opposition against a bill to permit Sunday shop trading, even after the issue was made a vote of confidence.

Commentators suggest the episode weakened Mr Lipponen, but he brushes this aside. The vote, he says, reaffirmed the coalition parties' commitment to co-operate. "Why at this point go home and give up when economically all the sacrifices are starting to bring some results?" he asks.

The coming months will tell whether his partners share the same view.

Greg McIvor

FOREIGN RELATIONS • by Hugh Carnegy

Happy to be part of Europe

Among the most enthusiastic pro-Europeans, Finns support monetary union

In the two years since it joined the European Union, Finland has become the leading Euro-enthusiastic country in the Nordic region. Now its leaders are determined to deepen the relationship by joining European monetary union from its planned start in 1999.

Finland certainly stands out from its neighbours on the Euro front.

Norway, its prickly sense of independence stiffened by its oil wealth, voted in late 1994 to stay out of the EU. Sweden voted narrowly to join, but opinion polls have since shown a hardening majority hostile to the union. Denmark has long been an EU member – but the country has bridled against the deeper integration, including Emu, outlined in the Maastricht treaty.

The Finns, however, embraced EU membership in a 1994 referendum by a margin of 57 per cent to 43 per cent, and little suggests opinion has changed significantly since then.

Recent studies by EVA, a business sector-funded "think tank", show a clear majority satisfied by membership, with only one-fifth of the electorate believing the country should leave. "The decision to join the EU is considered by most Finns to have been right," EVA concluded after a survey late last year.

At the political level, there is an even stronger commitment to EU membership, outspokenly led by President Martti Ahtisaari and Mr Paavo Lipponen, the Social Democratic prime minister.

A first, important step was taken last October when the Finnish markka entered the European exchange rate mechanism. After decades marked by repeated devaluations – culminating in big downward lurches in the value of the markka in 1991 and 1992 – the currency's entry to the ERM was not only a significant sign of a commitment to a stable exchange rate. It was also a clear statement of intent that Finland intended to be ready to join Emu as a founder-member in 1999.

Mr Lipponen, backed by his Conservative partners in the coalition, appears confident that he will be able to steer the country into Emu – assuming it goes ahead on schedule. There is no real suggestion, as is the case in Sweden and Denmark, that a referendum would be necessary, politically, before taking the step. A parliamentary vote confirming the intention to join is likely to be decisive.

There are obstacles in Mr Lipponen's path. At least two members of his five-party "rainbow government" – the Greens and the former communist Left Alliance party - are hesitant. Within the SDP itself there are some prominent voices opposed to Emu. The opposition Centre party, headed by former prime minister Mr Esko Aho, is instinctively inclined against Emu, although Mr Aho has taken care to keep his options open.

Public opinion is also much less favourable to Emu than to the EU as a whole. With unemployment running at around 16 per cent of the workforce, there are fears that entering a fixed currency could entrench joblessness. A recent EVA survey shows 45 per cent of the electorate are against joining Emu in the first group, with less than 25 per cent positive. Unemployment was the most commonly cited hindrance.

But this opposition appears soft. The surveys show 43 per cent of the electorate agree that it would be "fatal" for Finland to stay outside Emu if "many" other EU countries joined.

In working to swing opinion, Mr Lipponen can also count on much of the trade union leadership and the business community.

The position of industry is especially important because until a short time ago many industrialists, led by the dominant pulp and paper industry, were very reluctant even to join the ERM unless Sweden did likewise. Sweden remains a vital export market for Finland, and its forestry industry is in direct competition with Finland's.

Yet a recent survey of its members by the Confederation of Industry and Employers found 72 per cent in favour of joining Emu.

Mr Jussi Mustonen, of the confederation's economics department, says the reason is that Finnish exporters no longer believe that Sweden could operate a weak currency policy – which would undercut Finnish competitors – without being severely punished in the financial markets.

Meanwhile, Finland would have more influence over European monetary policy by being in Emu than outside. "We would also have a veto on the terms on which Sweden might enter at a later stage, and that is a kind of insurance for us," says Mr Mustonen.

Mr Johnny Akerholm, the official in charge of Emu issues at the finance ministry, adds: "Industry now sees Emu as something that brings stability. They are much more comfortable about it now they have strengthened their balance sheets after the recession. They are more confident, and they have realised that in the long term they have got to rely on real competitiveness, not nominal exchange rates."

Winning over industry is important for Mr Lipponen. But where the broad electorate is concerned, he is betting that an underlying feeling in Finland that deeper integration with the EU serves the interest of the country's fundamental security will help carry the day.

With a long border and a long history of conflict with Russia, Finns see participation in the EU as an historic opportunity to bind the country to the West after the nervous Cold War period of neutrality. This was probably the single most important factor behind the comfortable majority in the 1994 referendum on joining the EU.

Emu in itself has no direct relevance to security issues. But both President Ahtisaari and Mr Lipponen have publicly made a connection.

"For us all forms of integration in Europe add to our security. That is a very important factor in the mind of everybody," says Mr Kaako Ilonieml, managing director of EVA. "There is a feeling that if we do not go in now, when we are able to do it, who knows what may be in the future."

Finland

A strong revival of the economy has emboldened Helsinki's resolve to press for early membership of Emu. **Hugh Carnegy** and **Greg McIvor** report

Full integration is the target

Like one of its countless forests regenerating after a violent storm, Finland today is a land of renewed growth where the new shoots are slowly overcoming the debris left behind by a brutal recession.

This year, the economy is set to expand by more than 4.5 per cent, the fourth consecutive year of growth. For the first time, national output has exceeded the levels it reached before the traumatic slump of 1991-93 – the worst recession of the century when the economy shrank by 12 per cent. Inflation is under 1 per cent, interest rates are close to German benchmark rates, and private consumption is rising.

At the same time, Finland is pushing ahead confidently with its aim to become irreversibly integrated in western Europe following the collapse of the Soviet Union, its giant neighbour whose influence constrained Finnish foreign policy for years. After joining the European Union in 1995 and the European exchange rate mechanism in 1996, Finland intends to join European monetary union from its planned launch in 1999.

The ugliest remaining wreckage from the storm of recession lies in the form of unemployment, standing at more than 16 per cent of the workforce. Bringing down the level of joblessness is proving a painfully slow process. But the social impact has been blunted by generous welfare provisions and a widespread recognition that no quick fix is available to fill the jobs gap.

"We are at a turning point in the economy and we have the prospect of a better employment situation. All the sacrifices are bringing some results. So I am confident," asserts Mr Paavo Lipponen, the Social Democratic prime minister.

Mr Lipponen leads a five-party coalition government including the SDP, the Conservative party, the Left Alliance, the Greens and the minority Swedish People's Party. Set up after the February 1995 general election, the "rainbow coalition" has survived with remarkable unity given its wide ideological span and the tough fiscal policies it has pursued to put a tight rein on the public finances and prepare for Emu entry.

The only significant opposition group is the Centre party, the party of Finland's still-powerful rural interests, led by Mr Esko Aho, the former prime minister. But it is heavily outvoted in parliament and its policies are not much different from those of the coalition.

Mr Lipponen insists the country is finally on track to a stable future of sustainable, non-inflationary growth. But can anything upset this optimistic outlook?

Certainly, Finland appears to be in better shape than it has been at any time in the last decade. Nevertheless, there are serious challenges facing Mr Lipponen and his government as they move towards the next general election in early 1999.

A big test will be the drive to join Emu.

President Martti Ahtisaari, Mr Lipponen and Mr Sauli Niinistö, leader of the Conservatives and finance minister, are spearheading the effort for Finland to be in from the start. Emu, they say, will lend vital stability to the economy. It will also cement Finland's strategic place in the heart of western Europe.

So far, the government has held together around the strongly pro-Emu policy. The "rainbow coalition" has entrenched tough fiscal measures that have cut public spending by the equivalent of 10 per cent of GDP since 1992 in order to ensure Finland meets the economic criteria for Emu membership. The indicators already show the country fit to qualify.

The Centre party is host to a strong Euro-sceptic wing which is hostile to Emu. But Mr Aho – prime minister when Finland joined the EU – has been careful not to take an overt anti-Emu stance.

Importantly, industry, particularly the big forestry sector, has become reconciled to Emu despite earlier worries that the growing likelihood that neighbouring Sweden will stay outside Emu could pose a competitive threat to Finnish exporters.

But there are still obstacles to overcome before a parliamentary vote set to decide the issue in early 1998. The Left Alliance and the Greens are split on Emu. If either or both eventually swing to a clear stance opposing Finnish membership they would have to leave the government. The SDP, Conservatives and Swedish party could carry on with a majority. But the government would be more exposed – and such a fragmentation of the coalition could prompt the anti-Emu faction on the left-wing of the SDP to become more vocal.

The role of public opinion will be important. The electorate is hesitant about Emu, fearing it could hinder the battle against unemployment. But the generation of an economic "feel-good factor" would clearly help swing public opinion. This year, the revival of the domestic economy for the first time since the recession has added to the export boom that has driven growth over the past three years.

Growth so far has been pushed along by the export successes of companies like Nokia, the mobile telecoms supplier, and the pulp and paper groups. Now, the construction sector and the domestic service sectors are at last reviving to bolster economic development.

But the impact on unemployment to date has been limited. The single biggest political threat to the government parties – especially the SDP – as they approach the next election is the evident failure to meet Mr Lipponen's pledge to halve the jobless figures.

The problem is, the government has almost no scope to take new structural measures to stimulate employment beyond those already taken. The Conservatives and many in the SDP would like to cut the heavy income tax burden – but are constrained by the overriding need to maintain a tight fiscal stance.

The private sector has also called for deeper reforms of the rigid labour market. But the SDP cannot go further down this road without a clash with the powerful trade unions whose support is vital for the fiscal programme and for Mr Lipponen's policy of restraining wage settlements.

The long shadow of unemployment has not deflected the government from its commitment to deeper integration within the EU.

That commitment has been driven by the clear perception in Finland that the collapse of the Soviet Union offered an historic opportunity for the country to anchor itself in the West more solidly than ever before. Russia ruled Finland until 1917. The two countries have fought bloody wars in this century. Helsinki remains wary of an uncertain future across its long eastern frontier.

Joining the EU has, therefore, had a real security dimension for Finland. A vocal debate has also sprung up about whether the country should drop its Cold War military neutrality and seek to join Nato. The president and the government have stated clearly they have no intention to do so, at least at present. They are nevertheless watching the looming process of Nato expansion to include former Warsaw pact countries very closely.

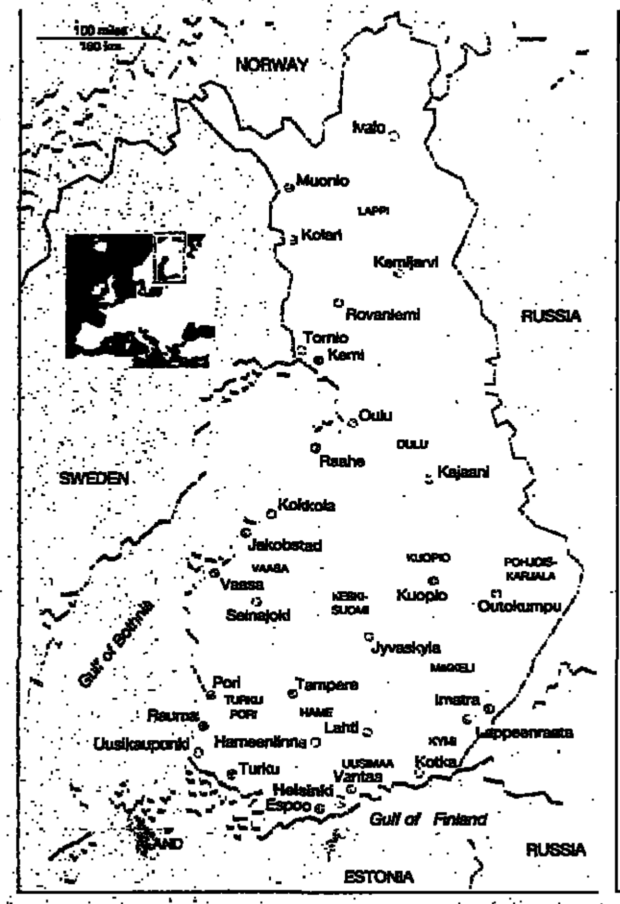
Their chief concern is that Nato expansion could provoke a reaction from Russia in the Baltic region. It is already clear that the three Baltic states of Estonia, Latvia and Lithuania – which all seek membership – will not be embraced by Nato in the first round of expansion. The Finns, like the Swedes, fear the creation of a dangerous security vacuum in the Baltic region.

Helsinki is anxious to see a pre-expansion accord between Nato and Russia which would pre-empt any possible tensions in the area. Until that is clarified, Finland will not make any change in its military/strategic stance. But the country is an active participant in Nato's partnership for Peace programme and is involved in the Nato-led force in Bosnia. It is clearly keeping its future military options open.

- Area: 304,593 sq km
- Population: 5,098,754
- Languages: Finnish, Swedish
- Main towns & population (Dec 1994)

Helsinki (capital)	515,765
Espoo	186,507
Tampere	179,251
Vantaa	164,376
Turku	162,370
Oulu	106,419

- Currency: 1 Markka (FM) = 100 pennia
  Exchange rate: 1996 average \$1=FM4.5919; March 5 1997 \$1=FM5.1123



Government and constitution

Head of state
President, who is declared elected if he or she receives an absolute majority of votes cast in the first round; failing this, a second round is held between the two leading candidates of the first; currently **Martti Ahtisaari**, who was elected for a six-year term in February 1994

National government
Council of State (Valtioneuvosto) headed by the prime minister, responsible to parliament; the government is currently a Social Democratic party/Conservatives/Left-Wing Alliance/Swedish People's party/Green party coalition with 145 seats

Head of government
Prime minister Paavo Lipponen (SDP)

Legal system
Based on constitution of 1919

National legislature
Unicameral Eduskunta (parliament) of 200 members directly elected for a four-year term; the president is empowered to dissolve the Eduskunta sooner

Electoral system
Universal direct suffrage over the age of 18; the d'Hondt system of proportional representation is used in 15 multimember constituencies

National elections
Next election due by March 1999

Eduskunta

Social Democratic party (SDP)	63
Centre party	44
Conservatives (KOK, National Coalition party)	39
Left-Wing Alliance (VAS)	22
Swedish People's party (SFP)	12
Green party	9
Finnish Christian Union (SKL)	7
Young Finns	2
Finnish Rural party	1
Ecology party	1
	200 seats

Sources: Europa, EIU, Datastream, Central Bank of Finland

Economic summary

	1996	1997*
Total GDP, nominal (\$bn)	124.1	130.7
Real GDP growth (annual % change)	2.3	3.2
GDP per head (\$)	24,238	25,478
Inflation (annual % change in CPI)	1.2	1.4
Av. hourly earnings, manufacturing (annual % change)	4.5	4.8
Manufacturing production (annual % change)	6.0	7.2
Unemployment rate (% of workforce)	16.5	15.8
Interest rate, 3-month Helibor (%)	3.7	3.9
Government bond yield (%)	6.3	6.5
General government financial balance (% of GDP)	-2.6	-1.9
Gross public debt (% of GDP)	58.0	58.7
Current account balance (\$bn)	4.5	3.2
Merchandise exports (\$bn)	43.0	46.1
Merchandise imports (\$bn)	-32.2	-35.8
Trade balance (\$bn)	10.8	10.5

Main trading partners (1995)

Exports		Imports
13.4%	Germany	15.6%
10.4%	UK	8.3%
10.1%	Sweden	11.7%
6.7%	US	7.1%
57.5%	EU	59.8%

* forecast

EMPLOYMENT • by Hilary Barnes

Paradox of labour market pains

Unemployment is high, but social benefits fail to encourage a search for work

Well provided for now, but job prospects when they finish education are not so good

Helsinki taxi drivers, some will tell you, are overworked. They operate a fleet of cabs, but have to do a lot of the driving themselves. For, in Finland today, you just can't get the staff...

This is not just the famous cab-driver hyperbole: it is an illustration of the sad paradox of the Finnish labour market. Unemployment averaged 16 per cent last year, and currently runs at 24 per cent among those aged between 20 and 24, but job vacancies remain unfilled.

The case of the deputy head of information in one of the highest offices of state helps explain it. The father of four small children, he was surprised to learn from a report by the social welfare ministry that he could increase his take-home pay by becoming unemployed. Generous child and housing allowances and unemployment benefit would beat his current – by no means lowly – income.

His case illustrates the difficulty of maintaining a comprehensive welfare system – designed to ensure no-one suffers real hardship – without destroying work incentives.

Mr Tapani Kahri is deputy director-general for industrial relations at the Confederation of Finnish Industry and Employers (CFI), the employers' bargaining counterpart to the trade unions. He says that a family with two children under the age of seven needs to earn FM20,000 a month to obtain the same after-tax disposable income it would get from the basic social security compensation – FM5,000 per person. (The average blue-collar industrial worker earns about FM10,900 a month, before income tax.)

Unemployment peaked at 19.4 per cent in 1994 and has come down to about 15.7 per cent since, but progress is slow. The 1996 OECD report on Finland was in no doubt that it would have been speedier if labour markets had been more flexible and the relationship between wages, social security benefits and taxation had worked to encourage re-employment.

"The unemployment insurance system, as currently designed, generates severe work disincentives and has slowed the re-employment of workers. With almost 20 per cent of the working-age population receiving some form of unemployment benefit of practically unlimited duration, urgent action is needed to reform this system," said the OECD. (The figure of 20 per cent includes people participating in rehabilitation programmes as well as the unemployed.)

Mr Turo Bergman and Ms Katja Kallinen at the Confederation of Finnish Trade Unions (CFTU) are resistant to the OECD's argument. This, of course, is hardly surprising: on three occasions since 1993 the CFTU has stopped government plans to reduce the unemployment benefit level by threatening to call a general strike. "The basic problem is lack of work," they argued.

They point out, however, that a significant new element of flexibility has now been introduced into the collective wage and work condition agreements. Managements and unions at company level can introduce flexible working hours, within certain limits, so that employees work more in busy periods and less in slack periods.

The CFI's Mr Kahri agrees with the trade unionists on this point, and adds that a discussion is now taking place over workers' remuneration – with managements gaining greater freedom to decide which employees should have a raise and how it should be arranged.

"The norms of collective bargaining are changing and the idea of flexibility has caught on quite quickly," he says.

According to Mr Kahri, the collapse of the Finnish Communist party, which until the demise of the Soviet Union had a strong influence in the trade union movement, is contributing to the trend.

"The conflict in the trade union movement between the Communists and the Social Democrats was one of the main reasons for the stiff and restrictive collective agreements. Now that the Communists are so weak, it is possible to begin changing things so that companies can arrange matters to the benefit of both the employers and the employees," he said.

The Finnish collective bargaining system is one of th[e] most centralised in Europe. About 80 per cent of al[l] employees belong to a trad[e] union. When collectiv[e] agreements have been co[n]cluded, whether at secto[r] level or between individua[l] trade unions and thei[r] respective employers, th[e] terms of the agreement a[re] administratively extended t[o] the rest of the industry co[n]cerned. This means 95 p[er] cent of all employees ar[e] covered by the collectiv[e] agreements.

This system, as the OEC[D] points out, has in practi[ce] imposed a high minimu[m] wage level, reducing th[e] "employability of low-pr[o]ductivity workers – your[g] and low-skill workers in pa[r]ticular".

The advantages of the sy[s]tem are that it generat[es] consensus. Strikes are n[ot] uncommon when a new co[l]lective agreement is bei[ng] negotiated, but labour co[n]flicts are rare once it h[as] been signed.

"The system's capacity [to] bring about discussion a[nd] to take decisions is just [as] good as in other countrie[s]" was the recent verdict of M[r] Sixten Korkman, formerly senior official at the finan[ce] ministry in Helsinki a[nd] now the director-general [of] the EU's economic, mon[e]tary and social affairs dir[ec]torate.

TRADE • by Hugh Carnegy

To Russia with...patience

There are many frustrating barriers, but business is on the way up again

Trading with Russia is a jungle of obstacles, declares Mr Erik Forsman, director of foreign affairs at the Confederation of Finnish Industry and Employers. "You have to scramble through barbed wire to get there."

Mr Forsman's exasperation is prompted by a series of frustrations facing Finnish companies as they fight to win markets across the country's long border with Russia – the European Union's only direct frontier with the former Soviet Union. Long hold-ups for trucks at border crossings, bureaucratic delays for imports, uncertain tax rules, and a lack of export financing are just some of the barriers facing Finnish exporters.

But, despite the difficulties, Finnish trade with Russia is bouncing back after it collapsed along with the old Soviet regime at the beginning of the decade, contributing significantly to the deep, three-year recession Finland suffered at the time.

In 1996, trade with Russia grew at a rate of more than 25 per cent, accounting for some 6 to 7 per cent of Finland's exports. That figure is still far below the 13 per cent of exports which used to go to the Soviet Union, but it is a big improvement on the 3 to 4 per cent levels that trade slumped to in the early 1990s. And it looks healthy for Finland, which ran a trade surplus with Russia of FM1.3bn in the first 11 months of last year.

The character of the trade has altered radically. In Soviet days, Finland was a favoured trading partner for Moscow, a western-style economy conveniently situated close at hand but not allied militarily to the western powers. Trade was organised on a state-to-state basis: Finland took mainly oil, timber and other raw materials, and in exchange its big companies won contracts to build industrial plants and supply machinery and finished goods.

Today, Russian exports to Finland are little changed in content. But the centralised organisation of the trade has disappeared to be replaced by a kaleidoscope of company-to-company relationships – and the shape of Finland's sales to Russia has been transformed.

"Now there are hundreds of companies involved, mostly small and medium-sized, compared with 25 or so big companies that used to deal with the Soviet Union," says Mr Leif Fagernäs, in charge of external economic relations at the foreign ministry. "It is much more broadly based than before, and if the Russian economy builds up those companies involved could really benefit."

The list of goods Finland is now exporting to Russia is long, diverse and, in some cases, surprising. Until the Netherlands cornered the trade, Finland was exporting large quantities of locally-ripened bananas – hardly a fruit native to the chilly Nordic country. Likewise, coffee processed in Finland has become a significant export.

In 1995, the list of goods was topped by printed papers – that is, Russian magazines and books printed on presses in Finland. Cars – many used – came second, followed by iron and steel goods, mobile phones, margarine, paint, paper, shoes, chocolate and a host of other goods.

Finland has also established itself as a significant transit centre for Russian trade to and from the rest of the world, and is working to become a springboard for companies trading in Russia. Acer, the Taiwanese computer group, has an assembly plant in Finland producing for the Russian market.

"I'm amazed that we have been able to do all this," says Mr Forsman. "We are selling no investment goods, no ships and no goods that need export credits. That's because the Russians can't cover the credit risk. So what we sell they pay cash for. At least 50 per cent of the goods are being paid for in advance."

There have been some surprises in the geographical pattern of trade as well. Mr Fagernäs, at the foreign ministry, says initial expectations that the huge conurbation of St Petersburg just across the border would prove the biggest market have not been fulfilled so far.

"Much of the trade is going to the Urals and west Siberia and Moscow," he says. "St Petersburg has not turned out to be so important. Its economy was based on military industries, which have collapsed, and so far not much has taken their place. We now see a big potential in the Murmansk region."

For all the vigour of the new trade, however, the Finns complain bitterly about the barriers they still face in Russia. In recent months, one of the highest-profile disputes has concerned the border crossings, where transporter drivers complain of long delays – of 10 to 12 hours – which restrict Finnish trucks to one return trip to Moscow a week, while their Russian rivals can make two. There were also reports in early February that 200 trucks were stuck in Moscow awaiting customs clearance waived at the border.

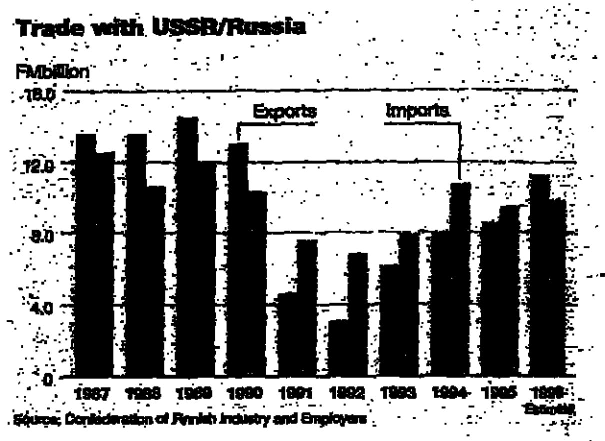
It is not just that the Finns suspect the Russians of deliberately using bureaucratic obstacles to discriminate against them. There are tales from Finnish drivers of petty corruption by Russian border officials who have to be paid off in cash or kind before a truck can proceed.

The industry confederation spelt out its concerns in a recent presentation to the European Commission in Brussels. "The worst problems concern technical regulations and especially product safety certificates, customs tariffs and procedures, taxation legislation and its implementation, taxes, levies and other charges as well as application of intellectual property rights," it wrote.

The government is trying to smooth these issues through the joint trade commission the t[wo] countries operate. B[ut] officials say it is difficult [to] make progress.

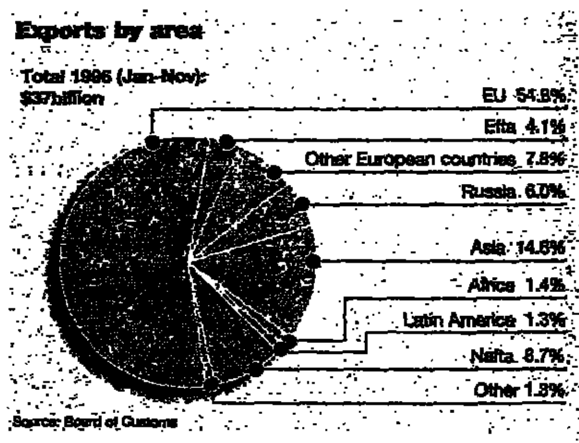
Meanwhile, Finni[sh] industry eagerly awaits t[he] day when Russia once aga[in] can afford to finan[ce] large-scale capital projec[ts] such as Finland used [to] supply to the Soviet Unio[n]. Combined with the existi[ng] patchwork trade, one or t[wo] big contracts for a paper m[ill] or a ship could push Finni[sh] exports back to their o[ld] levels. But that day st[ill] seems some way off.

Trade with USSR/Russia



Source: Confederation of Finnish Industry and Employers

Exports by area



Source: Board of Customs

Pensions transition likely to be a long haul

Continued from Page 3

system, in relation to the total cost of wages and salaries, from peak levels of about 40 per cent to about 30 per cent.

"In short, the argument is that we are able to tackle the problems. The pressures [of the pensions burden] are high, but not explosive," Mr Puro says.

The Finnish private-sector pension system was set up in 1961 – after agreement between the trade unions and the employers – as a statutory and obligatory insurance system. Based on contributions made over a working life of 40 years, it was originally designed to provide the individual with a pension equal to 40 per cent of average pay over the final four years of employment, pay-out was raised to 60 per cent by a 1975 agreement, however.

Trade union influence means it is essentially a benefit-determined system, rather than a contribution-determined system. About 75 per cent of the payments are pay-as-you-go.

In 1996, employers contributed 16.9 per cent of wage and salary costs to pensions and employees contributed 4.3 per cent, with the self-employed paying 20.4 per cent. Gradually, the employers' premiums will rise to about 20 per cent and the employees' to 6 to 7 per cent.

In the past 10 years, the introduction of flexible retirement regulations has reduced the average age of retirement from 65 to 59.

Although the private-sector pension insurance system is obligatory, its administration is entrusted to privately-owned insurance companies. This is designed to promote competition and, therefore, efficiency.

According to Mr Puro, the public-sector system has yet to undergo the necessary reforms. Here, pensions are 66 per cent of pay and are earned by only 30 years of working life.

Although Mr Puro expects the two systems to be brought into line, it is likely to be a long haul. Since the government must honour its commitments to existing employees, the transition will take about 40 years.

At the social affairs ministry, Mr Lehto sees keeping people at work for longer as crucial to the future viability of the welfare system. "If unemployment is low, and the average age at which pensions are taken is high, it will be easier to live with our welfare programmes," he says.

With today's high level of unemployment, however, it is difficult to win a hearing for this argument. In order to enlarge the labour market, the unemployed are being moved into educational programmes and reskilled.

A special programme has been introduced to get the long-term unemployed over the age of 50 back to work. Started last year in 10 municipalities, the aim is to identify the target group and offer every person in it an individual job-training or educational plan.

The programme is scheduled to go national in 1998, but experience at local level has so far been only moderately encouraging.

More people than expected – around one-third of the target group – have proved very difficult to rehabilitate, either because they have an alcohol problem, can't get out of bed in the morning, or suffer from other "discouraged worker" syndromes.

Mr Lehto believes that the welfare system, of which pensions are one of the largest costs, should prove sustainable but he is working on various assumptions. These are: that over the next 10 years or so Finland's politicians and administrators bring unemployment down to its pre-recession levels of around 5 per cent; the average annual GDP growth rate is 3 to 4 per cent; labour productivity increases [by] about 1.5 per cent a ye[ar] (below the long-term tre[nd] of past 20 years); and cur[bs] on social security costs a[re] successfully implemented.

He may, however, ha[ve] some difficulty convinci[ng] the OECD's economists th[at] he is right: the OECD's de[...] projections are based on t[he] same, optimist[ic] assumptions used by t[he] ministry.

FINANCE • by Greg McIvor

Banks have climbed from the pit

The crisis is over, but foreign competition creates fresh problems

Finnish banks have endured a steep and arduous climb back to profitability following a disastrous financial crisis in the early 1990s which savaged their balance sheets and forced the industry to seek a state bail-out.

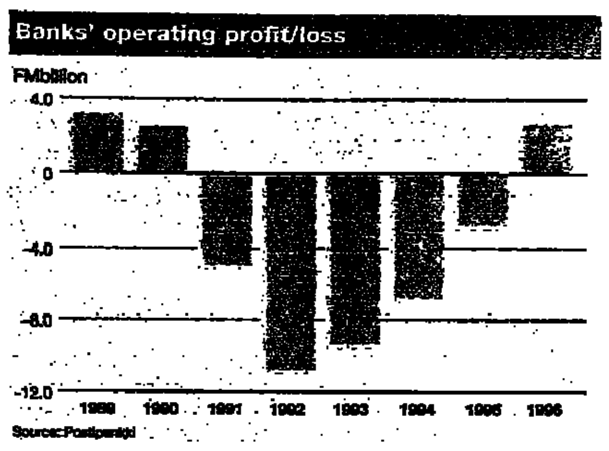
But, after five years of deep losses and heavy restructuring, the summit has finally been reached. The banks' 1996 results confirmed that the sector as a whole returned to profit last year, propelled by the first increase in markka lending since 1990 and a decline in loan losses to normal levels.

Having passed this milestone, Finnish banks now appear well-positioned to harvest the fruits of a predicted sharp upturn in private consumption and investment this year that is expected to boost domestic lending levels.

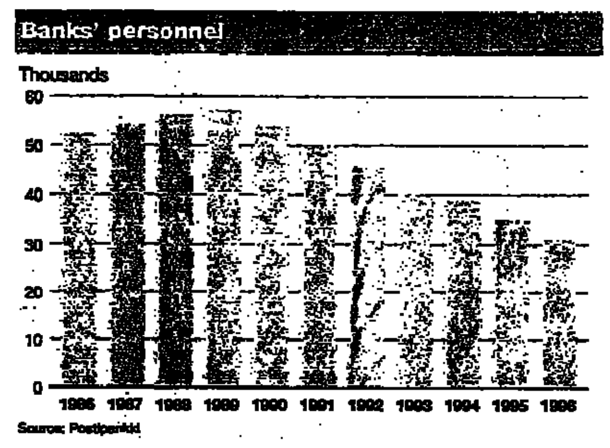
Consolidation has improved the structure of a previously fragmented industry. Of the six main banking groups in the market at the start of the decade, four remain: Merita, the undisputed market leader; Okobank, a group of 298 co-operative banks; Postipankki, the state-owned bank; and Aktia, a network of 16 savings banks.

Helped by substantial restructuring, cost ratios have fallen to around 60 per cent of total income following a reduction in the number of branches from 6,000 in 1990 to around 2,400 today. Staffing levels have fallen around 40 per cent, from a peak of almost 60,000 to just over 30,000.

Banks' operating profit/loss



Banks' personnel



But while costs are down to acceptable levels, other problems exist. Overall market growth is marginal and tough competition is squeezing margins. Postipankki, for instance, only reached break-even in traditional banking operations last year. Its profits came chiefly from investment activities and trading in financial instruments, particularly fixed-income bonds.

Competitive pressures have been fuelled by the entry of foreign banks to the Finnish market. Svenska Handelsbanken and Skandinaviska Enskilda Banken, two leading Swedish banks, and Unibank and Den Danske Bank, Denmark's two biggest banks, have all established a presence in Finland in the past two years.

Barring Handelsbanken, which has built a network of around a dozen retail branches, the new arrivals have concentrated on corporate lending. Consequently, margins have narrowed dramatically. Margins on loans to big corporations are commonly below 1 per cent, and only slightly higher for small and medium-sized companies.

A steady decline in interest rates has also had a hand in cutting net interest margins – so much so that the banks now freely admit they see little enhanced earnings potential from domestic lending. "We can no longer count on increased income from financial operations," says Mr Pertti Voutilainen, chairman of Merita, the banking group formed in 1995 by the merger of Kansallis-Osake-Pankki and Unitas.

Instead, banks are exploring new vistas. Financial deregulation has opened up new opportunities to financial services companies, blurring the traditional divide between banks and insurance groups.

Merita has moved strongly to capture a slice of the growing life assurance market, building up a share of close to 30 per cent in two years. It is now market leader in life assurance premium income and its initiative has been followed by other banks.

At the same time, banks have moved swiftly into the increasingly lucrative private savings market. Unit-linked and mutual funds, although undeveloped in Finland, are gaining rapidly in popularity and offer substantial growth potential, says Merita's Mr Voutilainen.

So far, the banks have been more active in seizing market share from the insurance groups than vice-versa. Mr Ilkka Salonen, senior analyst at Postipankki, says insurance companies have been better capitalised than the banks and therefore in less of a hurry to expand. However, this will soon change, he predicts, as Finland's two large insurers, Sampo and Pohjola, pick up the gauntlet.

The eroding boundaries between banks and insurers has prompted speculation about a merger across the two branches. Merita, which holds substantial stakes in Sampo and Pohjola, has held negotiations with both groups in recent months. The talks broke down after the sides concluded that projected synergy effects were insufficient to justify a tie-up, and Merita stresses the issue is firmly on the back-burner.

Although Merita enjoys market shares of above 40 per cent in deposits and lending, the smaller banks have proved adept at defending their positions. Merita has struggled to penetrate in rural areas, where the co-operative and savings banks are strongest.

"Where we succeed is in being close to customers and giving personal service with value added," says Mr Mikael Ingberg, general manager at Aktia Savings Bank.

In neighbouring Sweden, small regionally-based banks have come under pressure to merge in order to boost their critical mass. In Finland, the strength of the local customer base is seen as sufficiently strong to obviate any immediate need for further consolidation.

"The [merger] game has already been played on the Finnish side," says Mr Salonen. He does not, however, rule out cross-border co-operation involving a Finnish bank, particularly in the light of increased competition arising from eventual European monetary union.

Merita estimates Emu will cost it FM250m in lost income for a "number of years" from 2000, in addition to the estimated FM200m cost of the transition to a single currency. The most international of Finland's banks, it it the most threatened by the increased competition certain to arise within the single currency area.

The impact is likely to be felt most in Merita's substantial fixed-income trading operations, once markka-denominated bonds are replaced by euro-denominated bonds and trading shifts to a wider European stage.

Analysts suggest this could force Merita to look for a European partner. At the other end of the spectrum, smaller banks believe they have nothing to fear from a single currency. Mr Arto Elomaa, economist at the Finnish Bankers' Association, describes as unrealistic suggestions that Emu might lead to incursions by European banks into the domestic market. "It is not a lucrative market to conquer. It is competitive and it is small compared to the overall European market," he says.

PENSIONS • by Hilary Barnes

The cost of an old-age problem

The government thinks it can carry the pensions burden; others are less sanguine

According to OECD calculations, changing demographics in the first decades of the 21st century will present Finland with acute economic problems. At their heart will be the increased burden on public expenditure of an ageing population.

The OECD concluded in a 1995 report that "after temporarily stabilising at an unprecedentedly high level of about 95 per cent of GDP in the period 2000 to 2010" Finland's public debt would "become unsustainable in the three following decades".

An updated OECD working paper, *"Ageing Populations, Pension Systems, and Government Budgets"*, published last November, grouped Finland with a number of European countries that would experience "a rapid increase in public debt".

If corrective action, such as raising the retirement age, is not taken, pension payments in Finland, as a share of GDP, are predicted to rise to 17.8 per cent in 2030 – a level exceeded only in Italy. The government's net financial liabilities will deteriorate from a positive 12 per cent of GDP in 2015 to a negative 98 per cent in 2030, according to the OECD "base" scenario for Finland.

Finnish officials are somewhat more sanguine. Firstly, they say, all projections into the relatively distant future depend on which variables are fed into the computer models. Outcomes can be calculated that are both possible to sustain and impossible to sustain, according to Mr Markku Lehto, director-general of the ministry of social affairs and health.

The Finns also point out that quite a lot has been done to make the system more sustainable.

Mr Lehto produces graphs that show how spending curbs introduced over the past few years will reduce the costs of social welfare expenditure after 2020 from peak levels of 40 per cent of GDP to about 35 per cent.

Under the impact of the recession, social welfare expenditure reached about 35 per cent of GDP in 1993-94 – compared with about 25 per cent at the end of the 1980s. The level is expected to fall to under 30 per cent in the 2000-2010 period, before rising to new heights.

Graphs produced by Mr Kari Puro, chief executive of the largest pension insurance company, Ilmarinen, are just as encouraging as Mr Lehto's. Projections for 2030 show how measures taken in 1995-96 to modify the costs of the private pension insurance system have reduced the costs of the

Continued on Page 4

CAPITAL MARKETS • by Greg McIvor

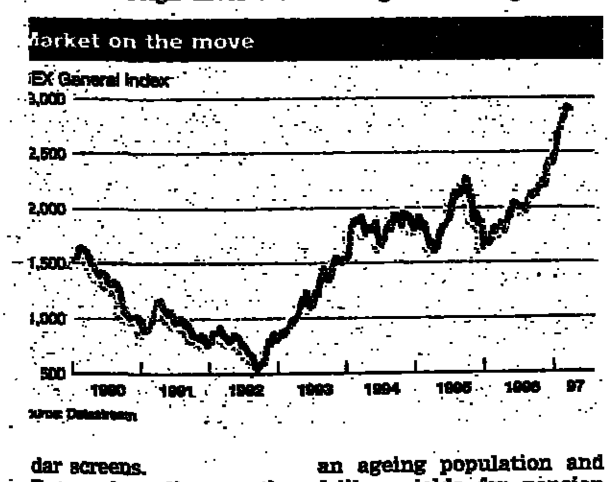
Old perceptions are swept aside

The HEX index has a spring in its step and liquidity in bonds is close to record levels

Spring has come early to Finland's financial markets. A 46 per cent leap in the HEX General all-share index last year, outstripping all western European bourses, has continued with a rise of some 15 per cent in the HEX so far this year. Meanwhile, liquidity is surging in both the equity and international bond markets.

Just a few years ago, the picture was very different. Heavily regulated and tucked away in Europe's north-eastern periphery, Finnish capital markets attracted only marginal international interest. But financial deregulation in the early 1990s and a recent record of strong returns has swept old perceptions aside. Helsinki today is firmly fixed on foreign investors' radar screens.

Market on the move



External trading on the bourse now accounts for more than 50 per cent of daily turnover, and international investors hold 37 per cent of market capitalisation. This proportion is steadily increasing, despite the fact that the market, on a p/e of 17, is beginning to look more fully valued.

Two stocks – Nokia, the world's leader in digital cellular phones, and UPM-Kymmene, Europe's largest forestry company – account for [illegible] per cent of traded turnover and 37 per cent of the market's total value. The heavy reliance on the two groups makes the market sensitive to fluctuations in their fortunes.

Improved profitability in Nokia's mobile phone operations has lifted its shares 81 per cent in the past [illegible] months, driving much of the HEX's recent bull run. Shares in UPM-Kymmene, however, have underperformed the general index since their launch last year owing to weakness in the pulp and paper industry.

Without doubt the hottest stock lately has been Raisio, the Finnish food processor and chemicals group, which found itself in the limelight last year following the launch of a cholesterol-reducing margarine called Benecol. Raisio shares have risen some 270 per cent in a year.

This year, the market has continued to make strong headway. Average daily volumes in 1997 have reached FM780m, almost double last year's level. The increase has been abetted by good domestic economic fundamentals. Export earnings are expected to improve this year after a cyclical dip in 1996, and GDP growth is predicted to top 4 per cent.

Liquidity should get a further boost if the government proceeds with plans to allow pension funds to invest a greater proportion of their holdings in equities. The changes are being considered against a background of an ageing population and falling yields for pension funds from bank deposits due to a sharp fall-in interest rates in the past three years.

"Unless the pension funds want to cut pension payments or increase premiums they have to get a higher return on their investments," says Mr Jukka Lepomäki, head of financial markets research at Merita Bank in Helsinki. Doing that means taking a greater risk weighting in their portfolios.

While the stock market surges, liquidity on the bond markets is also at near-record levels. Daily turnover is FM10bn, compared to peak days on the equity market when volumes can reach around FM1bn.

"Overall the [bond] market is very healthy," says Mr Lepomäki. "The problem in the future is that there could be a shortage of fixed-income instruments if the government continues to reduce the deficit instead of borrowing more money." Government bonds make up at least 90 per cent of liquid outstanding stock.

The equities market also faces challenges. Helsinki, together with its Nordic cousins Oslo, Copenhagen and Stockholm, is small by European standards and pressure has been growing them to merge. The theory is that individually the Scandinavian markets are too small in an increasingly competitive international stock market. All fear losing liquidity in the shares of big international companies which are traded abroad.

A tie-up would create Europe's third-biggest bourse by turnover and fifth-biggest by market value. Helsinki has been tentatively in favour of integration but seemed to douse hopes last month by opting to install a new Australian-made trading system to replace its ageing 10-year-old system. The Finnish bourse authorities had been under pressure from Sweden to order the same system as Stockholm's new one as a preliminary step towards linking the markets.

Certainly, Helsinki now has cause to be more confident than before of its stand-alone future. It has worked hard to raise the market's appeal by establishing remote trading links with foreign banks. Den Danske Bank, Denmark's leading bank, hooked up last year, and Mr Juhani Erma, president of the Helsinki stock exchange, is confident other Nordic and London-based investment banks will join this year. "I would be disappointed if we have fewer than five new members by year-end. It could be between five and 10."

Moreover, Finnish participation in the formation of a single European single currency is looking ever more likely. Entry to the Euro zone would boost stock market liquidity, analysts predict, as Helsinki would become more attractive to investors in other Emu member countries because of the absence of currency risk.

Despite the bright outlook, several clouds lurk on the horizon. Helsinki's exposure to foreign capital makes it vulnerable to any significant weakening of share prices on Wall Street.

Emu, as well as offering opportunity, is also a threat. Relinquishing the markka would all but erase Finland's currency market – a fact the country's banks have already factored into their strategies. It could also hit liquidity in fixed-income markets as trading in Euro-denominated bonds is likely to gravitate to more mainstream markets.

FORESTRY • by Greg McIvor

High pulp stocks hold down prices

Consolidation has left the industry well primed to exploit the next recovery

The health of Finland's forestry industry and that of the national economy are deeply intertwined. Pulp and paper groups provide one-third of the country's export revenues and 4.2 per cent of GDP. More than 5 per cent of the workforce is employed in forestry-related activities.

Forestry's importance is seen in last year's temporary slowdown in Finnish GDP growth, explained partly by tumbling profits in the forestry sector. Paper production fell nearly 7 per cent, the biggest drop in 21 years. The deterioration was caused by a rapid erosion of pulp prices due to over-production and slack demand in Europe. This drove down the prices of most paper grades, wiping as much as 85 per cent off producers' profits.

A rise in pulp inventories this year has exerted further downward pressure on prices. The price per tonne of Northern Bleached Softwood Kraft, the industry benchmark, has slipped from $560 at the start of the year to as low as $520. Analysts predict no real upturn before 1998.

Nevertheless, Finnish companies are better primed than before to capitalise on the recovery, when it comes. A rapid wave of consolidation since 1995 has produced a concentration to three dominant groups: UPM-Kymmene, formed last year by the merger of Repola and Kymmene; Enso, formed a year before by the merger of Enso-Gutzeit and Veitsiluoto; and Metsä-Serla. More than 90 per cent of forestry production now rests with this trio.

"Ten years ago I could not imagine the kind of restructuring we have seen in Finland could happen," says Mr Matti Korhonen, president of the Finnish Forest Industries Federation. The changes, he says, have boosted competitiveness and left Finnish companies well-equipped to enter new markets.

Average operating margins were 9 per cent last year, comparing favourably with Swedish and North American producers, which operate in a more fragmented market. At the same time, big investments in plant mean Finnish companies now run the biggest and most modern paper factories in the world. Average machine capacity is 120,000 tonnes, compared with 87,000 tonnes in Sweden, the closest competitor.

At the same time, the three big companies are focusing on individual segments rather than producing a wide range of paper and packaging grades, as in the past. This specialisation, aimed at building economies of scale in particular product lines, has resulted in all three Finnish companies enjoying strong market shares in their chosen fields.

With domestic restructuring complete – at least for the foreseeable future – Finnish paper groups have fixed their sights on foreign markets. Finland will continue to be the key production base, but opportunities for organic growth at home are heavily circumscribed. Companies are already cutting close to the amount of annual wood growth and need to enter new markets to boost raw material supply.

So far, attention has been focused on acquisitions in central and eastern Europe, but the companies acknowledge that long-term growth prospects are greatest outside their main European markets.

Mr Jorma Vaajoki, chief executive of Metsä-Serla, says the increasingly global nature of the business means it is only "half-time" in the restructuring race. "One would expect that there would be one or two large groups in the future that are global players in every sense, and I hope at least one Finnish group will be involved in that process," he says.

This vision is echoed by Mr Jukka Huuskonen, senior investment analyst at Arctos Securities in Helsinki. Companies have no choice but to extend their international reach if they want to grow, he says. "There is only very slow growth in Europe. Pretty much everything in the region has been gobbled up by the Finns and Swedes. The way the industry is going there are only two places in the long run which would really lift the competitiveness of Finnish companies. These are areas of fast-growing wood, which means Latin America and Asia."

Finnish forestry groups have so far hesitated about entering either market, wary of over-committing themselves in areas which they have little ground-level knowledge and where cultural differences can pose problems. Enso operates some forest cultivation in Asia, but has no production there, while UPM-Kymmene has yet to evolve a clear strategy for developing regions.

As the market globalises, so the orientation of the Finnish companies has changed. A decade ago forestry was production-led; today, the emphasis is on marketing and business-to-business contacts. This shift is seen in the chief executive seats at Finland's three big companies, where the old guard of civil engineers has been ushered out in the past few years in favour of a younger generation of men with stronger marketing backgrounds.

Mr Korhonen applauds this development. "I think we have the best engineers in the world," he says, "but the business is growing ever more market-oriented. If we want to make money we must recognise that."

Forestry groups face limited opportunities for organic growth at home. They are already cutting close to the annual wood growth Photo: The Hutchison Library

PROFILE

Third-placed, but no underdog

While the two giants of Finnish forestry, UPM-Kymmene and Enso, have captured the spotlight with merger exploits in the last two years, Metsä-Serla has quietly consolidated its position as the third force in Finnish forestry.

Alongside the FM70bn-plus annual sales of its two big rivals, Metsä's FM14.7bn turnover looks modest. But it is no minnow; as Europe's fifth-largest supplier of paper and paperboard, and number six in fine paper production, Metsä plays an important part in the regional market.

Its market shares have been augmented by a wave of restructuring in Finnish forestry in recent years. In the past 12 months, Metsä has linked arms with Myllykoski, a fellow Finnish paper producer, and struck a series of deals which have expanded capacity in its two core operating areas: printing papers and packaging.

The purchase from UPM-Kymmene of the Simpele paperboard mill in December made Metsä Europe's second-largest producer of folding board boxes after Stora of Sweden, with annual capacity of 520,000 tonnes.

It also spun off its chemicals division. Although more profitable than Metsä's main paper and packaging operations, the unit was not part of the group's core focus.

Mr Jorma Vaajoki, Metsä's pugnacious chief executive, explains the company's strategy is to be among the market leaders in a few chosen segments. "The most important thing is not to be the underdog," he says. "You don't have to be number one, but you don't want to be a marginal producer."

In this context, a question mark hangs over the future of Metsä's tissue production. This contributes 12.5 per cent of sales but is non-core. Mr Vaajoki insists there are as yet no plans to sell.

Meanwhile, the priority is to develop Metsä's marketing organisation and build up a global network in the search for growth. "This is a global business and you need to have a global presence," says Mr Vaajoki. He sees particular potential in the Asian market and envisages Metsä strengthening its presence there through joint ventures and alliances with other forestry groups.

Metsä sees itself as too small to go it alone in big new markets. Instead, its strategy is to build up merchanting operations in far-flung locations, selling not just its own products but those of other forestry groups. "We become a better partner for our customers if we can, for example, offer newsprint even though we don't produce it ourselves," he states. Being in the business, he adds, "doesn't always mean you have to build a paper mill".

Like its peers, Metsä suffered from weakness in pulp prices in 1996 and the negative consequences for prices of most paper grades. Profits dropped by more than 80 per cent and, says Mr Vaajoki, little improvement is likely to be seen this year. His hope is that when recovery does arrive, Metsä's international presence leaves it better equipped to reap the benefits.

Greg McIvor

TELECOMMUNICATIONS • by Hilary Barnes

Showcase for rest of Europe

Finns are reaping the benefits of an early decision to liberalise their market

Overseas visitors to Mr Kurt Nordman, chief executive of Helsinki Telephone Company and its associated group of 46 privately-owned local telephone companies, Finnet, are presented with a print-out of his "article of faith".

"It is a nice thing to run a monopoly," it states. "However, if you are forced out of this paradise, the next best thing from a business point of view is the other extreme: full competition."

Mr Nordman led the way in pressing the Finnish government to liberalise the telecommunications regime, a process which began with national data transmission services in 1985 and was completed when competition was permitted in international voice services in 1994.

By stealing a four-year march on the European Union, which is planning to fully liberalise the telecommunications market in 1998, Finland has become something of a showcase for the rest of Europe.

There is plenty of evidence of the benefits of competition to private and corporate users in Finland:

- The highest mobile phone penetration in the world at over 30 per 100 of population. As Finland does not allow the subsidised sale of handsets – unlike many European countries – the expansion of mobile telephony is particularly impressive. The Finns fully expect penetration to reach 50 or 60 per cent within the next five years;
- The highest Internet penetration in the world, which almost certainly means the highest modem penetration as well;
- The first digital switching system was inaugurated in Finland in 1981, supplied by Nokia, a company which at that time was little-known outside Finland. Today the switching systems are fully digitalised, allowing the provision of a wide variety of value-added services to customers;
- The first country in Europe to introduce commercial use of the high-speed asynchronous transfer mode (ATM), used, for among other things, a high-speed residential Internet service and real-time exchange of diagnostic video material between Finnish hospitals;
- Call charges among the lowest in Europe.

The country owes its present position to an historical accident which gave it a telecommunications structure unlike any other in Europe.

There was never just one national company for all services. There were numerous customer-owned local phone companies, such as Helsinki Telephone Company, which were permitted to operate only within their local areas. A national telecommunications agency – which has since become Telecom Finland – had a monopoly of national long-distance and international traffic.

This has left Finland today with two big domestic competitors – the private Finnet association of 46 local companies and the state-owned Telecom Finland.

These have now been joined by a third company, Telivo, in which the Swedish state-owned telephone company, Telia, owns 70 per cent. Telivo has leased the trunk line optical fibre network owned by IVO, the state power utility, and aims to become a full-service telecommunications operator with both mobile and fixed-line services.

Whether one talks to Mr Nordman at Helsinki Telephone or to Mr Aulis Salin, chief executive of Telecom Finland, the message is broadly the same: competition has produced intense pressure for innovation, the business logic of which was to generate value-added services for both corporate and private customers in both mobile and fixed-line services.

Another feature of the competitive Finnish scene is that the phone companies were always free to buy equipment from the supplier of their choice.

The climate of competition and innovation has generated an industrial telecommunications cluster, say the Finns, in which Nokia is the best-known company but is, nevertheless, only one of many.

Many of the leading international companies also find the business climate in Finland rewarding.

Hewlett-Packard, for example, has an alliance with Oy Comptel, a subsidiary of Finnet, which is a supplier of mediation device solutions. These are solutions which provide mediation between the telecommunications network and customer services, such as billing systems and call-processing.

Mr Peter Vesterbacka, a Hewlett-Packard manager in Finland, says: "If you can be successful in Finland, you have a good chance internationally as well."

NOKIA • by Hugh Carnegy

Revolution leader regains his poise

Mr Jorma Ollila has successfully led the telecoms supplier out of a difficult period

Without any shadow of doubt, the outstanding corporate success story in Finland this decade has been the transformation of Nokia into one of the world's top three suppliers of mobile telecommunications equipment. By the same token, Finland's outstanding executive has been Mr Jorma Ollila, the man who led the revolution.

Mr Ollila's achievements at Nokia provide the foremost example of what Finland is trying to achieve.

Faced in the early 1990s with an ailing organisation that lacked focus and a clear strategy, he injected youth and direction into Nokia's leadership and set the company on a growth path based on high technology and international competition.

It has not all been plain sailing. A little over a year ago, Mr Ollila's grip suddenly looked shaky when Nokia ran into a series of production problems, most of its own making, in its flagship mobile handsets division. Profits slumped, the company's share price plummeted, and the breezy confidence that Mr Ollila had previously exuded evaporated.

A year later, however, he appears to have recovered his poise as Nokia has emerged from its problems to post a 75 per cent increase in profits in the fourth quarter of last year – with the operating profit margin in the previously troubled mobile handset division bouncing back to a healthy 13 per cent in the second half.

"We have been looking today, during a meeting of senior executives, at where we are going in the next five years," said Mr Ollila. "It feels very good. We have really only seen the first five years."

If the next half-decade proves anything like the last, Mr Ollila will certainly have secured himself a lofty place in Finnish corporate history. Already, his record is impressive.

With an economics degree from the London School of Economics and an engineering degree from the Helsinki University of Technology, Mr Ollila began his career with Citibank. He joined Nokia in 1985 and was chief financial officer between 1986 and 1989 when Nokia made its first – failed – attempt to metamorphosise from a traditional industrial group making paper, rubber goods and cables into a high-tech conglomerate in computers, consumer electronics and telecoms.

By the time he moved up to the top job in 1992 – at the age of 42 – Nokia was in the red and badly in need of a radical overhaul. Mr Ollila had spent the previous two years in charge of Nokia's mobile phones division – making handsets for a market that was about to see explosive growth. Combining what he had learnt from the mistakes of the late 1980s with the potential he had seen in mobile phones, Mr Ollila quickly steered the group into a new strategy of concentration on mobile telecoms.

Jorma Ollila: injected youth and direction into Nokia leadership

Today, the structural transformation is complete: the remnants of Nokia's paper business, Nokia tyres, the cable operations and the consumer electronics have all been sold or spun off. Last year, mobile handsets accounted for 54 per cent of group sales, and the telecoms infrastructure division for 33 per cent.

Under Mr Ollila, Nokia has ridden the rapid expansion of the mobile telecoms industry to become the second largest supplier of handsets in the world after Motorola of the US. Along with Sweden's Ericsson, the three dominate the mobile equipment sector.

Its share price restored after the setbacks of a year ago, Nokia is comfortably the most highly-valued company on the Helsinki stock market. Group sales, which neared FM40bn last year, are growing at a rate of 25 per cent a year – and the rate is faster in the handset division. Profits have swung from a loss of FM158m in 1992 to a profit of FM3.9bn last year.

Mr Ollila, an affable man who happily conducts his press conferences in a mixture of Finnish, English and Swedish, says confidently: "We will continue on the path of 25 to 30 per cent annual growth over the next few years in both our main businesses."

Managing that growth – it was logistical bottlenecks and rising costs which caused much of last year's problems – to ensure production efficiency is maintained and profit margins defenced is one of the key challenges now facing Nokia, Mr Ollila says.

The company must also keep up a stream of new products, be involved in the development of new transmission systems, and stay abreast of broader developments in the telecoms world, such as deregulation and the growth of the Internet.

But Mr Ollila is not unduly concerned by the growing competition from rival telecoms equipment suppliers, and increasingly from consumer electronics specialists such as Sony and Philips.

"The three strong players will continue to dominate the digital handset business for a few years more," he says. "At Nokia, we have the financial resources (to meet the competition). We are now in a net cash position. The size of the consumer electronics players is not the issue. It is who can come up with the products that will count."

As Nokia grows, it is to some extent outgrowing Finland. Mr Ollila's own informal style – and his willingness to delegate responsibility – is a characteristic Finnish trait which imbues Nokia. Yet the group is increasingly becoming international in character. Last year, Nokia recruited more people outside Finland than at home for the first time.

But under Mr Ollila, it is difficult to see the Finnish-style corporate culture changing significantly. He may like his winter skiing holiday in Switzerland, and there is nothing particularly Finnish about his regular tennis games. But summer holidays are spent like, most Finns, at the family lakeside cottage deep in the Finnish forest.

He also gives no hint that it may be time to move on after five years in charge. "It is Friday, it is past 6pm and there are two more people waiting to see me," he says. "I have no shortage of energy. It feels very good. There is really a lot more to come, and I feel really good about continuing."

PROFILE Telecom Finland

Waiting for privatisation day

When the time comes for the privatisation of Telecom Finland, the company will probably be sold alongside Finland Post, the other main part of the state PT Finland group.

But when that will happen is anyone's guess. Mr Pekka Vennamo, PT Finland's chief executive officer, describes privatisation as "probable, but we don't known when".

PT Finland has group turnover of about FM11bn, with the main subsidiaries, Telecom and Post, having turnover respectively of about FM5.5bn and FM4.9bn. Telecom Finland's turnover compares with the FM5.3bn of its domestic rival, the Finnet group.

Finland Post has been profitable since 1981, and there are no cross-subsidies between the post and telecoms companies. But Finland Post has had to rationalise hard to keep itself in the black, cutting the number of post offices from 3,000 in 1990 to 600 now, although there are 1,700 postal agencies in small shops.

An example of the opportunities which arise between data net and physical delivery is Finland's successful E-mail/post system, by which a letter is delivered by E-mail and the physical product is printed, packed and distributed to a standing address list next day.

Finland, with a high mobile phone penentration, manufactures large numbers of the handsets

Because Telecom Finland is one unit, rather than the association of 46 local phone companies which comprise its rival Finnet, its basic position appears to be stronger, and its position is likely to strengthen further. It is only this year that the local companies are being forced by legislation to open up fully for fixed-line competition, offering considerable opportunities for Telecom Finland to gain market share.

Telecom Finland's structure makes it easier to raise finance for investment. It is currently arranging a DM300m revolving credit.

"We think of Sweden's Telia as *the* competitor rather than Finnet," said Mr Vennamo. Telecom Finland – like Finnet – has stayed out of international alliances, unlike most other smaller European and Nordic telecoms companies. "We do not think we need alliances," said Telecom Finland's CEO, Mr Aulis Salin, "but we do need partners."

The global alliances can do nothing to help the Finnish operators provide services in Finland or other Nordic markets, he said. On the other hand, when Telecom Finland sets up a corporate intranet service for a large Finnish customer, with offices all over the world, partners abroad are essential.

Eschewing alliances is not to be mistaken for lack of interest in international co-operation. Telecom Finland's declared aim is to generate one-third of group sales from joint ventures abroad. It is heavily engaged in both fixed-line and mobile networks in Latvia and Estonia, and has interests in several other countries.

Telecom Finland is currently financing investments of around FMk2bn a year from cash flow.

With investments expected to rise towards FMk3bn a year, Mr Vennamo said the big question was "where cash flow will come from in future - Internet services, broad-band services, fixed-line or wireless? And if it is in broad-band services, will the last 100 metres be by wireless or will it mean replacing copper cables with optical fibre, requiring large investments?"

These are questions being asked around world. The Finnish experience may provide some of the answers.

Hilary Barnes

PROFILE Helsinki Telephone Co

Business driven by spot of fun

Mr Kurt Nordman enjoys explaining how he and his colleagues set about applying for a licence to establish a GSM (Global System for Mobiles) cellular phone network in 1988. "We were not driven by commitment to a business idea...it was just an adventure - just good fun," says Mr Nordman, chief executive of Helsinki Telephone Company (HTC) and its associated group of local phone companies, Finnet.

"We are fired by a sense of impatience. The future is just around the corner, and we want to get there!"

Telecom Finland began operating an analogue cellular system in the early 1980s. When Finnet's competing Radiolinja GSM system (GSM can be used for transmission of fax and data as well as voice) went into operation 1990, it was the world's first. The fun has paid off; Radiolinja became profitable last year.

Having impatiently pushed for liberalisation and competition, Mr Nordman got what he wanted in 1993 when both national and local voice traffic was opened to competition, which meant that the Finnet companies lost their monopolies of local business.

"It was interesting. We were squeezed and we felt the competition. We had to reduce prices. Charges to our big corporate customers fell by 50 per cent within a year," he says. "We couldn't compensate by cutting costs. We had to generate value-added services, and do it fast.

"We are out of the squeeze now, however. Profitability is growing; the value-added is there and is generating money."

He recalls when Telecom Finland's monopoly of national long-distance traffic was ended in 1994: "We gained a market share of 50 per cent within a week".

In international traffic, the switch-over has been slower. Finnet's share is now about 25 per cent.

"Mobile penetration is over 30 per cent, and we all agree it will be 50 to 60 per cent by 2000. We are aiming at a situation when children are given a mobile as soon as they can talk, and they don't give it up again until they are too old to use it," said Mr Nordman.

"Internet has become big business, with 100 per cent growth in 1996. In the Helsinki area, the volume of Internet traffic is about the same as international traffic," said Mr Nordman.

More fun is on the way for Helsinki Telephone, although Mr Nordman, who retires this year, will not be directly involved.

It is called Helsinki Arena 2000, a scaled-down version of the information society, for which HTC will prove the platform and a consortium of banks and industrial companies will provide the services

Using a three-dimensional "virtual" model of the city, PC users will be able to "enter" a building and find the information they require from city offices. PCs equipped with small video cameras will be used, so that if need be users will be able to obtain face-to-face interviews.

"The thought behind this is that as the information society approaches you must demonstrate to consumers the ability to make things work. The consortium knows that it will stay in the red for some years, but the system will be attractively priced and eventually it will become profitable," said Mr Nordman, full of enthusiasm for their next adventure.

Hilary Barnes

Tampere • by Hugh Carnegy

City seeks new prosperity

Twenty years of industrial unheaval have resulted in profound change

Few places offer a better microcosm of the dramatic changes in Finland's economy over the past decade than Tampere, the country's biggest interior city, built on a narrow isthmus between two large lakes about 150km north-west of Helsinki.

Tampere's prosperity was founded on the paper, textile and engineering industries which were the backbone of the country's industrial development.

Today, these industries are still present in Tampere – but their operations have shrunk in recent years and, above all, the numbers they employ have fallen drastically. Instead, Tampere, a city of 180,000 people, is now battling to build up a new industrial and service economy based on high technology.

It is a struggle that has already yielded some notable successes. But, as in the economy at large, there is still a long way to travel to replace all the jobs lost in the upheavals of the 1980s and early 1990s.

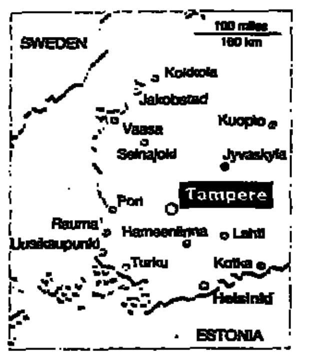
The key to Tampere's development was the Tammerkoski rapids which surge through the isthmus from the Mäsijärvi lake in the north to the Pyhäjärvi lake to the south, dropping almost 18 metres over a couple of kilometres.

From 1785, when Finland's first paper mill was established on the east bank of the Tammerkoski, the rapids served as the vital energy source for a group of industries including Tampella, the machine maker, Finlayson, a textile company, and Metsä-Serla, the pulp and paper group. Elsewhere in the Tampere region, companies such as Valmet, Rauma and Nokia were established.

But in the past 20 years, the traditional industries of Tampere have undergone profound change. The numbers employed in industry in the region have fallen from more than 90,000 in 1975 to just 40,000 today as plant after plant closed down or invested in new machinery which required far fewer workers.

The attractive centre of Tampere straddling the Tammerkoski tells the story. The chimneys of the Tako plant (owned by Metsä-Serla) still belch smoke as it continues to churn out cardboard, but the Finlayson factory is now a sports and theatre centre and part of the Tampella plant serves as a courthouse. Other former textile factories house offices or have been replaced by a large hotel.

Tampere retains much of its old spirit of provincial civic pride. It still supports a vigorous theatre life and has two senior league ice hockey teams. The biggest civic project this decade was the bold decision to build the huge Tampere concert hall



and conference centre – a striking 3,000-capacity complex that is the biggest of its kind in the Nordic region.

But the painful fact is that the city has an unemployment rate of almost 21 per cent of the workforce, significantly higher than the national rate of 16 per cent. The cold reality of the traditional sectors in the 1990s was starkly illustrated recently when UPM-Kymmene, the pulp and paper group, spent FM1.2bn in the region on a new mill – an investment which created just 26 new jobs.

But Tampere has been far from idle in working to achieve a revival of its fortunes. The city has focused its efforts on attracting high-tech, knowledge-based industrial and service sector companies through a network of institutions with the University of Tampere and the Tampere University of Technology at its centre.

"In the old days, the key resources in Tampere were the Tammerkoski and the forest. Today, our only real asset is the head and our key resources are the universities," says Mr Olli Niemi, head of Hermia, a technology centre set up alongside the technology university with the aim of providing a bridge between the laboratory and commercial development of new technologies.

Hermia is one of the links in a network which binds the business development agencies of the city and region, the universities, the national research development agency Tekes and industry itself.

There are no rigid structures involved in the network - deliberately so. Nor does Tampere have access to generous subsidies or incentives to offer inward investors. The aim is that a virtuous, flexible circle of support will be created in which businesses will be attracted to the area by the supply of a highly educated workforce and a fertile research environment - and new businesses will also emerge organically.

"We are concentrating on electronics, automation engineering, health care technology and IT," says Mr Timo Kirkko-Jaakkola, development director for the Tampere regional council. "The government has designated Tampere as a centre for these industries."

Tampere's industrial heritage has not been abandoned in this quest. On the contrary, long-established local industries such as forest machinery manufacturing are a vital part of the strategy, for their future also depends on technological development. "One of our key aims is to maintain and grow existing industries in the area – to preserve jobs - because its takes time to develop business ideas into new companies and new jobs," says Hermia's Mr Niemi.

Mr Pentti Pietilä, managing director of Nordberg-Lokomo, a subsidiary of Rauma in Tampere, tells a story that illustrates how the network can operate. One of his company's employees worked with the technology university to develop a rock crushing machine that produces a more cubic-shaped final product than otherwise was available. This gave the company a competitive advantage because "cubical" rocks are easier to handle than irregularly shaped rocks.

"At the moment we have three people doing masters degrees at the university," says Mr Pietilä. "It is a big advantage for us to have that kind of co-operation and opportunity."

One of the most notable success stories for Tampere has been the recent rapid growth of operations in the area by Nokia, the mobile telecoms group. The town of Nokia, where the company originally started life in forestry products and tyres, lies in the region.

Today Nokia has its cellular data research and development centre in Tampere, in the Hermia complex close by the technology university and the Digital Media Institute. The latter is an independent study centre part-financed by industry which has become a world leader in digital signal processing - something vital to Nokia.

Since setting up in 1989, Nokia's operations in Tampere have grown to employ 1,400 people.

Officials in Tampere are convinced Nokia is a good example of how a vital educational infrastructure is being created to found renewed business prosperity for the city and region. IT jobs are growing at the rate of 1,000 a year. But they are under no illusion about the work that still needs to be done.

Ironically, there is now a shortage of qualified labour in Tampere in the IT/advanced electronics sectors. "The problem is the same as in all Finland," says one official with weary resignation. "The supply and demand of the labour force don't match."

Bare facts of the sauna

How should a visitor to Finland react to the following proposition? You are invited to take off all your clothes and go to a little room heated to almost 100° C, where you will sit, naked, with others for a while and sweat. Then you will all go outside and jump (still naked) through a small hole in the ice on a lake, the sea or whatever and refresh yourselves in the freezing water – or roll in the snow instead.

In short, "What about a sauna?"

The answer should be simple. Be courageous and say

Mikko Norros on the etiquette of the Finnish sauna

"yes" – because if you don't you will miss a deliciously relaxing experience which will provide a vital insight into the culture and mentality of your Finnish hosts.

Saunas have existed in other cultures, but it is in Finland that they have become entwined in the national culture. In days gone by, they were the most practical place to wash during the long winters when there was no running hot water. You can still find people in Finland who were born in the sauna. Not when it was heated, of course, but it was a sterile place where hot water was available.

It is estimated there are 2m sauna in Finland, for a population of 5m. Big companies and state institutions have their own saunas. The president has his official sauna, as does the prime minister. They are to be found in city apartments and in country cottages.

Traditional saunas are heated by wood, burned either in a stove with a chimney, or by a stove with no chimney. The latter – a smoke-sauna – is the original sauna and believed by most Finns to be the best. The door is closed after the wood has burned down (and most of the smoke has escaped), leaving the embers to heat the sauna to the proper temperature, but giving a soft heat and the aroma of woodsmoke.

All saunas have a basket of rocks heated by the stove on which to throw water to increase the humidity. Called the "löyly" in Finnish (for pronunciation, contact your host), it increases the feeling of heat and makes you sweat.

Basic etiquette in the sauna is quite simple. You first take all your clothes off – something you have to try not to be shy about. It is considered polite to shower before going in. Otherwise, there are few rules. Stay in as long as you feel comfortable, and return to the sauna several times if you wish.

When you come out of the sauna, jump through the ice, or roll in the snow. Or – and this will be the case for most foreign visitors – simply take a shower. But if you do roll in the snow, make sure it is fresh and powdery: old, icy snow can have an effect on your skin like sandpaper.

In summertime, you may also be handed a "vihta" – a bunch of birch branches which you dip in water and with which you then gently flagellate yourself. This is not as kinky as it sounds – it stimulates the circulation and gives a fresh aroma.

In some hotel saunas the tradition of the washing-lady survives. She takes care of washing you; don't be shy.

An invitation to sauna from business contacts you have never met before is perfectly normal. If you want to take the initiative yourself, almost all hotels have good saunas, though mostly heated by electricity.

I once took three American journalists to a sauna in a big hotel. The men were a little bit shy so we decided they could keep their swimming trunks on. In the middle of a good löyly, the door swung open and a large old Finnish woman entered the room. She simply pointed at the first, horrified American and said bluntly: "You first, underpants off." I had forgotten to tell them about the washing-lady.

** The author is deputy information chief at the prime minister's office.*

Hugh Carnegy finds that in most respects Finland is easy on the business traveller

It's a shame about the cuisine...

Finland is habitually grouped with its Scandinavian neighbours – Sweden, Norway and Denmark – but a business traveller should be aware that the country is distinct from them in several important respects.

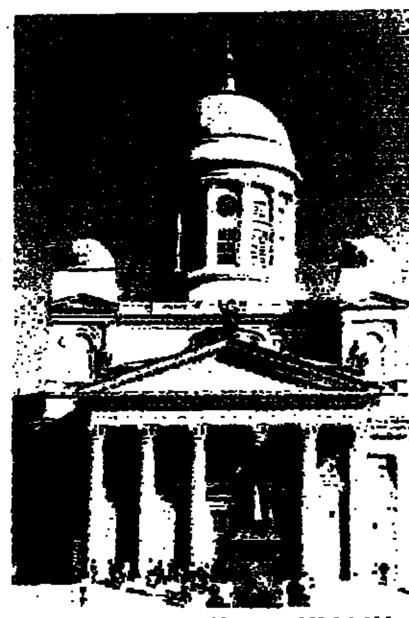
First, the Finnish language, which belongs to the Finno-Ugrian group, is entirely different from the Scandinavian or most other European languages. Although Finland developed a Swedish-style welfare economy in the post-war period, the political culture is different, coloured chiefly by the historically-troubled relationship with Russia, its giant neighbour to the east which ruled Finland until 1917.

Sweden, too, ruled Finland for a long period until the early 19th century. The long centuries of Swedish influence and settlement are still visible mainly in the presence of a Swedish-speaking minority.

Like their Scandinavian neighbours, Finns involved in international business and international affairs speak a high standard of English (most also speak Swedish).

The country generally has a high standard of infrastructure, from air, road and rail links, to highly-developed telecoms, making life easy for a visitor. But beware of the long, harsh winter, with temperatures even in the south normally below freezing point for much of December through March.

During this season, stout shoes, a warm jacket, gloves and a hat are vital accessories. In summer, it can be surprisingly warm, making a trip into the interior of endless forests and lakes a pleasant break from business. But don't plan a business trip in July – most people take their holidays then.



The Lutheran cathedral in central Helsinki is a popular stopping-off point for visitors

Tips for visitors

TRANSPORT: The main international entry point is Helsinki airport, which has regular connections to all main European centres, North America and Japan. It lies about a 25-minute taxi ride from the city centre. All taxis run meters: the airport to the central railway station costs around FM120, depending on the traffic.

There is an extensive internal flight network from the same airport, which is the best way to reach the outlying regions, especially the north. Long experience means the severe winters rarely disrupt services. Trains provide cheap, comfortable travel.

Finland's road system is well developed, with traffic light by European standards. But the distances are long and conditions in winter can be difficult for those not used to driving in the snow.

WHERE TO STAY: In Helsinki, the Inter-Continental, the Strand Inter-Con, the Radisson-SAS, the Arctia, Palace, Ramada Presidentii and Grand Marina are all centrally-located, business-oriented hotels. None have any distinctive local character – but look out in the next couple of years for the refurbishment of a grand old hotel on Esplanadi, the fashionable shopping heart of the city, which served for years as a bank's headquarters.

In Tampere, the modern Hotel Ilves is a regular international-standard hotel, but remarkable because of its position overlooking the Tammerkoski rapids in the city centre, opposite an impressive old paper factory.

WHAT TO DO: As a French guide book on Scandinavia once said: "If you are thinking of travelling for the cuisine, stay at home". Aside from good herring and salmon, there is not much to distinguish the local fare. But some exotica is worth trying – notably reindeer meat and, for dessert, warm Arctic cloudberries on ice cream. In Helsinki, probably the most interesting places to eat are the Russian restaurants which evoke a Czarist-era ambience with lots of vodka and blinis. Try the Alexander Nevski by the City Hall (ask for the bear-meat starter) or the Bellevue, close to the Orthodox Church.

The best evening relaxation is often to take a sauna, followed by a meal (see story in column 5). Helsinki, home of Sibelius, usually has something good to offer music-lovers, either at the Finlandia Hall or the new Opera House. Tampere has a strong theatre tradition and a stunning new concert hall which attracts international performers. In the summertime, a great excursion is to see the opera at the spectacular Savonlinna Castle, on a lakeside east of Helsinki. For a pleasant stroll and some shopping while in the capital, the area around Esplanadi, Senate Square and the harbour market is best. There is lots of choice of characteristically Finnish gifts in the stores in this area, from stylish women's clothing to colourful, multi-pointed winter hats from Lappland.

Useful publications

A Brief History of Finland, by Matti Klinge, Otava Publishing Co. A 150-page illustrated review of Finland since the end of the ice-age.

Helsinki, The Traveller's Guide, by Kimmo Pietiläinen, Art House. Useful mix of history and information about the capital.

Facts about Finland, Otava Publishing Company. Mainly descriptive guide to life in today's Finland, covering economy, culture and politics.

Business Finland 1997, Helsinki Media Special Magazines. Magazine-format run-down of business, industry and finance with good index of leading exporters and other useful contacts.

OECD Finland Survey. Last published August 1996. Local sales via tel: 358-9-121-4416 fax: 358-9-121-4450

ENERGY • by Hilary Bames

A shift in balance of power

Conflicting demands could mean the nuclear option will have to be raised again

The recent decision by Finland's neighbour, Sweden, to close down two commercial nuclear reactors within the next five years has, paradoxically, increased the pressure on the Finns to consider supplementing their four-reactor programme with a fifth plant after the turn of the century.

"Sweden's decision on nuclear power radically weakens our position," Mr Taunio Matomäki, deputy chairman of the supervisory board of the pulp and paper company UPM-Kymmene, told an energy seminar. He called on the government and parliament to consider the nuclear option "without any preconceptions".

The issue is, however, a politically sensitive one. The prime minister, Mr Paavo Lipponen, has said that as long as the Greens are a member of the present "rainbow" coalition, the government will not make any proposals concerning a fifth reactor.

The Eduskunta (parliament) could force the government's hand by itself taking an initiative in favour of a fifth reactor, but it is more likely that the decision will first be seriously considered again after the next general elections in two years' time.

The Swedish decision will affect Finland in several ways. Firstly, the removal of two reactors and consequent reduction in power supply will tend to increase power prices throughout the Nordic area, where there is a common power market.

Secondly, the decision raises issues about the security of future supplies, since the Swedish government intends eventually to close down all 12 of the country's reactors, currently responsible for half of Sweden's power output.

Thirdly, the closure of the first two reactors will coincide with the expiry of long-term power supply contracts for power from both Sweden and Russia to Finnish industry and power distribution companies, placing the Finns at a disadvantage when negotiating new deals.

In common with most other industrial countries, Finland is faced with several conflicting energy policy requirements, as Mr Taisto Turunen, director-general of the energy department of the ministry of trade and industry explains.

Demand for electricity is increasing steadily, and imports already constitute a significant, 12 per cent share of supply. Yet the demands of the change process agreed at the Rio de Janeiro environmental conference earlier this decade mean that Finland will have to balance its need for more power against a requirement for reduced carbon dioxide emissions.

"Policy should support a positive economic development on the one hand; on the other, it must cut carbon dioxide emissions – a very difficult task," said Mr Turunen. The country's single most important export industry – pulp and paper – as well as its basic metals industry are energy-intensive, he points out.

A government white paper on energy strategy is planned for the summer, with the Eduskunta expected to discuss it in the autumn. Despite a 13 per cent fall in gross domestic product between 1990 and 1993, electricity consumption has risen from 62TWh (terawatt hours) in 1990 to 70TWh in 1996, said Mr Turunen. The ministry estimates that demand will continue to increase at annual average rate of 2 to 2.5 per cent for the next 10 years before flattening out.

Two of the strings to the government's bow are not controversial – energy conservation, and the use of more natural gas and biomass and less coal. Finland's electricity supply is already very diversified – 26 per cent nuclear, 19 per cent hydro, 15 per cent coal, 12 per cent imports, 9 per cent natural gas, 8 per cent peat, 10 per cent other renewables (mainly forest industry wastes), and 2 per cent oil.

Natural gas offers the best prospect for improving the balance. Finland receives all its natural gas from Russia, and would like to buy more, but considers that there is a significant commercial and technical risk in being a small buyer dependent on a single supplier at the end of a pipeline which does not go beyond Finland.

A possible solution to this is currently being studied by Neste, Finland's state-owned oil refiner, and Gazprom of Russia. This concerns a project to build a trunk-line pipe through Finland, across the Baltic to Sweden, and south through Sweden to central Europe. The pipeline's capacity would be about 30bn cubic metres of gas a year, which compares with Finland's consumption of about 3.5bn cubic metres. "This is such a large flow that it would give Finland, as a small consumer, security," said Mr Turunen.

The alternative to more Russian supply is gas from the Norwegian sector of the North Sea, via a pipeline through Sweden. The investment costs of such a link are so high, however, that it is not regarded as an economic proposition, although the Norwegians are keen to see the project proceed.

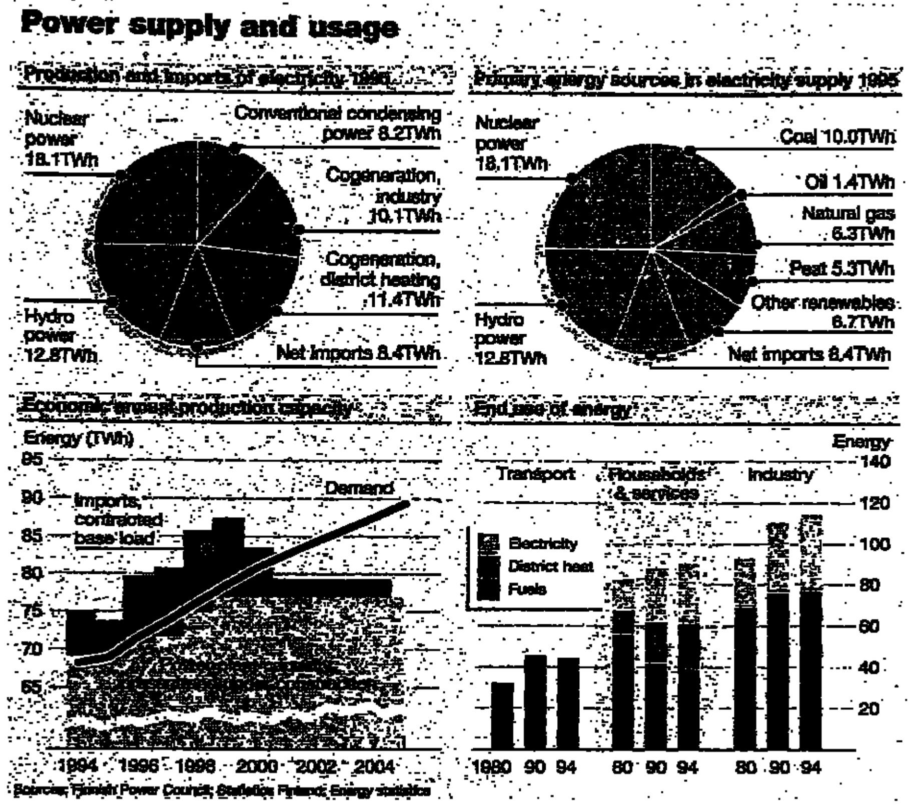
Replacing 1,000MW (megaWatts) of power production capacity from coal by natural gas reduces the carbon dioxide emissions from about 7m tonnes a year to 4.5m tonnes, said Mr Turunen. Replacing the power with a nuclear reactor would reduce emissions by 7m tonnes, or just under half the total carbon-dioxide emissions from power production and about 10 per cent of the country's total emissions.

A fifth nuclear reactor was previously discussed in the Eduskunta in 1993, when parliament rejected a government proposal to licence a fifth reactor for construction jointly by the two big power groups, the state-owned Imatran Voima (IVO) and the private Industrial Power Company (TVO).

Opinion in the present Eduskunta is thought to be more favourable towards the nuclear option than it was in the previous parliament, and while the prime minister has said the government will not confront the reactor issue in this parliament, there is speculation in Helsinki that a majority may emerge which requires the administration to bring forward a proposal for a fifth reactor before the 1999 election.

The power utilities, however, which spent large sums of money preparing a licence application in the early 1990s, will make no move until parliament agrees in principle in favour to a fifth reactor. Finland's four existing reactors, two Russian and two Swedish-built, came on stream from 1977 onwards and are extremely efficient, claiming the world's highest load factors of more than 90 per cent.

Power supply and usage



Sources: Finnish Power Council; Statistics Finland; Energy statistics

PROFILE Imatran Voima Oy

State to switch off

Even without the prospect of an international privatisation share issue scheduled for spring next year, Imatran Voima Oy (IVO), the state-owned power group, would have been under careful scrutiny.

In 1996, the group bought control of Gullspang Kraft AB, in Sweden, to become the second-largest power group in the Nordic region after Sweden's state power group, Vattenfall, and at the same time the third-largest supplier of electricity in Sweden itself.

With the privatisation issue still some way off, and the structure of the business continuing to change, estimates of IVO's prospective market value vary, but one estimate at the end of 1996 put the company's worth at FM10bn to FM15bn.

The privatisation issue is in line with the Finnish government's policy of reducing its holdings in the large state-dominated industrial companies. But the IVO issue cannot go ahead until one peculiarly Finnish problem has been resolved.

Most countries have one national grid for high-voltage power distribution but Finland has two, one operated by IVO and one by Industrial Power Group. The two grids are being merged under the control of a new company, Suomen Kantaverkko, of which IVO and Industrial Power Group will each own 30 per cent and the state 16 per cent.

The new grid company is due to begin operations in April, but IVO officials believe the autumn to be more likely.

The operation of the grid has provided IVO with excellent and stable profits, accounting for 44 per cent of group operating profits in 1995 and no less than 78 per cent in 1994. Market analysts are waiting to see how the terms setting up the new grid company will affect IVO before making their estimates of the latter's earnings outlook.

From IVO's point of view, the disposal of the grid will have an adverse effect on operating profits in the short-term, but according to the chairman of the board, Mr Kalevi Numminen, it will provide capital for investment in future growth.

Gullspang's turnover in 1996 was about SKr5.3bn and its market capitalisation at the end of last year around SKr8.6bn. These estimates include AB Skandinavisk Elverk, another Swedish power company, which was acquired by Gullspang last July.

The background to IVO's Gullspang acquisition is the liberalisation of the Nordic power markets, starting with Norway in 1993 and followed by Finland in 1995 and Sweden in 1996. There is now a common Nordic power market between the three countries, including a spot market in Sweden and Norway. Finland will join the spot market when the single national grid is in operation.

The emergence of the common power market generated a rapid structural shake-out last year as the Nordic power groups bought capacity in each other's markets. Vattenfall acquired control of one of Finland's largest electricity companies, Hämeen Sähkö Oy, and is in the market to buy further Finnish capacity.

The Swedish government's decision, taken in February, to close two commercial nuclear reactors has increased investor interest in the Nordic power companies, as the decision is expected to lead to an increase in power prices, thus raising profits in the power supply companies. Consumers, of course, might take a different view.

One of the strengths of the Finnish power industry is the co-generation of heat and power, a process in which heat is tapped for district heating. Sweden, where cheap power from hydro-electric sources and nuclear facilities has been available, has neglected co-generation, but substantial investments in co-generation are planned by the government in order to help make up any shortfall in supply caused by closing the two reactors. This is a market in which IVO plans to expand its business.

IVO is not new to international engagements. It has a 30 per cent stake in the UK's Humberside Power, which is constructing a 750MW gas-fired power generation plant on Humberside. IVO is responsible for the management of the construction, which is being undertaken by the Swedish-Swiss Asea Brown Boveri group.

It also has shares in a power plant in Malaysia and two co-generation plants in Thailand. Last year, IVO, together with the Japanese company Tomen, acquired 74 per cent of the shares in the Budapest power company, Budapesti Erömü in which IVO holds a 37 per cent stake.

IVO International, with turnover last year of about FM1.8bn, is the engineering arm of the group, and undertakes power plant engineering, power transmission engineering, nuclear engineering and hydro power engineering. This unit has a long history of international operations and is currently engaged in the construction of a large power plant in St Petersburg, and in other overseas projects.

"The outlook for the next few years is, on the whole, good," Mr Numminen said in the 1995 annual report. Nothing has happened since to contradict this view.

Hilary Barnes

PROFILE Partek

Plain sailing start to merger

When Mr Christoffer Taxell began to plot a merger between Partek, the engineering and mineral group he heads, and Sisu, best known for its container moving machines, tractors and trucks, the boat he likes to sail in the summertime proved a useful, if unusual, means to an end.

Mr Taxell moors his boat in a berth next to that of the secretary-general of the industry ministry. As Sisu was 74 per cent controlled by the state, the aquatic contact provided a handy way to get merger talks under way. "In Finland, things can happen that way because it's a small country and everyone knows everyone," remarks Mr Taxell.

The result was a complex FM1.7bn deal, announced in January, to create what will be the world's leading producer of cargo-handling machines and equipment, making everything from huge mobile lifters and stackers of containers to truck-mounted cranes. In effect, Partek is taking over Sisu, forming a group with annual turnover of FM12bn. Mr Taxell will continue as chief executive of the merged company, in which the state will retain a 30 per cent stake.

It is only the latest in a spate of recent big mergers in Finland, notably in the forestry and banking sectors.

The merger followed a turbulent period for both Partek and Sisu. Mr Taxell says many people had not realised the extent of structural changes that had already taken place within the two companies when the merger was announced. "They thought a cement company was merging with a truck company," he jokes. In fact, Partek got out of cement-making some years ago, and trucks today make up only 3 per cent of turnover at Sisu.

Partek has undergone dramatic changes since Mr Taxell – a former justice and education minister and one-time chairman of the minority Swedish People's Party in Finland – became chief executive in 1990.

As the company suffered losses in the subsequent four years, he steered Partek out of building materials, spun off its cement business and concentrated operations on cargo handling, pre-cast concrete, minerals and insulation. The company returned to profit in 1995, but suffered a fall in earnings in 1996.

Sisu, meanwhile, was transformed in 1994 from a relatively small maker of trucks and other heavy vehicles into a group with annual turnover of FM6bn by the merger into the company of Valmet's tractors, logging machines and container handling equipment businesses.

The merger of Partek and Sisu at first sight creates an even more diverse conglomerate than the two companies were on their own. It will have no fewer than six divisions identified as core businesses – container handling, cargo handling, forest machines, tractors, minerals and insulation. Partek's pre-cast concrete operations, Sisu's truck making and some real estate interests will eventually be sold off.

Putting together the merged group is also going to take some time to complete. First Partek is to pay FM130m in cash to independent shareholders and issue shares worth FM785m to the state and Valmet, which is still a minority shareholder in Sisu, to buy a 54 per cent stake in Sisu. Meanwhile, the Norwegian group Aker is to swap its 26 per cent share in Partek with the state for a 46 per cent share in Sisu – which the government will eventually sell to Partek for another FM785m.

Mr Taxell acknowledges that the merger deal – and the merger logic – might appear too complex and vague. But he says Partek will have majority control of Sisu by April, and he insists the economic benefits of the merger will be significant.

Above all, he believes there will be gains in the machinery operations where there are similarities between the container handling businesses of Sisu and the cargo handling operations of Partek. Together, these two will have turnover of FM4.3bn a year.

"I'm very cautious about making predictions, but we believe the merger will be good for our shareholders and will, of course, increase profitability," says Mr Taxell.

Hugh Carnegy